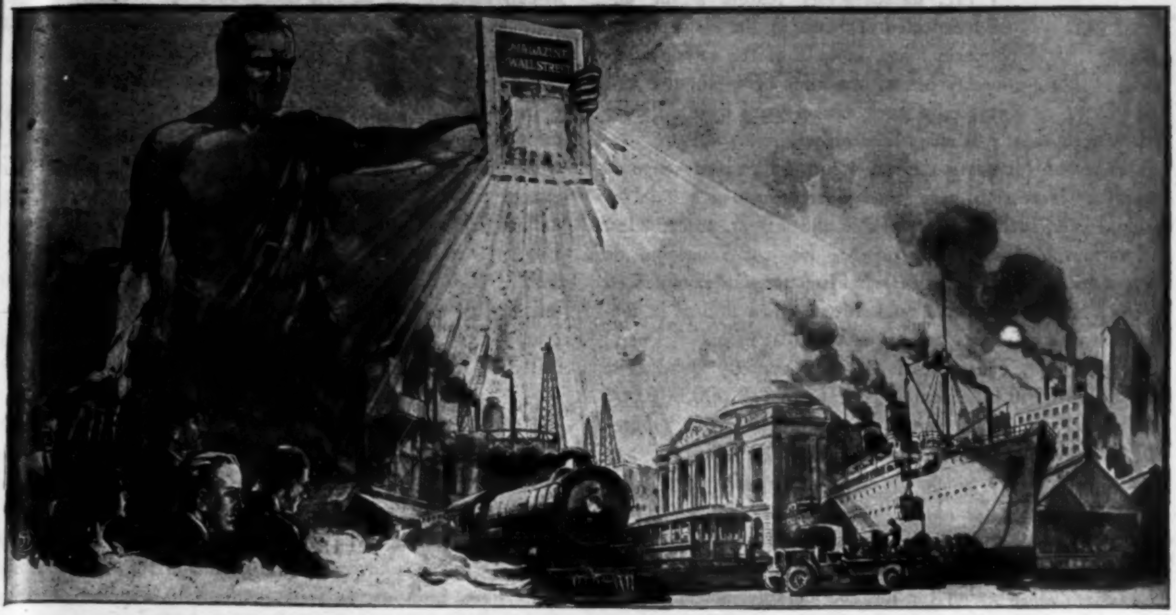


THE OUTLOOK

The Money Situation—Business Failures—Demand for Business Loans High—Growth of Our Exports—Foreign Trade and Exchange—The Market Prospect

A FEATURE of the markets, which is not surprising in a time of such widespread readjustments throughout the world, is the difference in the prospects for different classes of securities. High grade bonds show some recovery from their lowest prices, but with only a moderate demand. Second grade and speculative railroad bonds in general have advanced sharply and are showing a decided increase in activity. Preferred stocks as a class are in much the same position as the high grade bonds. Railroad stocks have shown a pronounced improvement in both prices and activity as a result of the rate increase. Industrial stocks in general have rallied from their depression but do not show as good a tone as the railroad issues.

It is probable that similar differences will continue to be in evidence for the remainder of this year at any rate.

* * *

THE MONEY MARKET

MONEY rates continue to indicate that our resources in the way of liquid capital and bank credits are being used to the full, so that any advance in security prices has to be made under the weight of this important adverse factor. The summer months, during which easier conditions were hoped for and to a less extent realized, are now past and the fall crop requirements are fully upon us. The hoped-for decrease in business loans appeared, but it was small and only temporary.

The Federal Bank ratio of reserves to deposits and outstanding currency notes has fallen nearly a point from its recent high, to 43.2%. This is a normal movement for the season of the year and need occasion no anxiety. On the other hand, it naturally does not hold out any immediate hopes for lower money rates. The Federal Board seems to have established in its own mind an upset figure of about 40% for this ratio, against the so-called "legal" figure of about 37½%. There is in fact no legal figure, since the Board has the authority to suspend reserve requirements at its discretion.

Even the figure of 40% would permit a very great increase in rediscounts in the aggregate. If gold imports continue, the possible increase in rediscounts will be still greater, since in actual practice one dollar of gold permits an increase of roughly $20 in credits. France is reported to have already shipped to us over $5,000,000 gold in connection with the maturity of the Anglo-French loan, and bankers believe that the total movement of gold from that source will be about $50,000,000. This, however, cannot be said to be assured, as France will undoubtedly exhaust other means of meeting the payment before sending gold. If, as expected, $100,000,000 to $150,000,000 of new French securities are floated here to aid in meeting this maturity, the draft upon our liquid capital would in part counterbalance the helpful effect of the gold imports.

It is unlikely that money rates this fall will exceed the present figures of 9% for time money and 8% for commercial paper, which are high enough in all conscience. The Board would certainly be warranted in expanding rediscounts enough to prevent any higher rates.

BUSINESS LOANS HIGH

THE unsatisfactory feature is the unexpected increase in the demand for business loans, in spite of the fall in commodity prices, restriction of speculative and especially stock market loans by the banks, and reduced activity in many lines of business.

One reason for this is the rather surprising maintenance of general business activity in spite of recessions in certain individual lines, such as textiles, shoes and leather, automobiles, and various kinds of luxury goods. Bank clearings outside New York (New York clearings being especially influenced by stock and bond transactions) afford, when studied in connection with commodity prices, an excellent index of general trade activity. These clearings, after a pretty steady rise from $6,000,000,000 monthly in 1915 to $18,000,000,000 at the end of 1919, have been fairly stationary between $17,000,000,000 and $18,000,000,000 during 1920 to date. Bradstreet's index of commodity prices has fallen nearly 10% since Feb. 1, so that a smaller amount of credit should be necessary to handle the same quantity of goods—yet there has been almost no decline in outside clearings.

The principal reason for the considerable increase in the demand for credit must lie in the unwillingness of the owners of goods where prices have been falling, to liquidate at the lower level. After a long period of high profits, it is difficult for the business man to persuade himself that the time has come when he must sell at a loss or without profit. There have been many bargain sales, more or less genuine, advertised by retailers; but it is clear that liquidation has not been general enough or proceeded far enough to fully clear up the situation. The average business man clings to the hope of profit until the last chance has gone.

During the past two years business failures have been constantly below normal—in fact they have been smaller in proportion to business handled than ever before in the history of the country for a similar length of time.

For the year 1912, which was a fairly prosperous year, the average per cent of failures to the number of firms in business was .08 of 1% monthly; for the first seven months of 1920 the corresponding figure is .03 of 1%. For the first four months of 1915, which was the worst period within the last decade, this per cent of failures was about .13 of 1% monthly. It will be seen that we have far to go before failures rise even to normal figures, and any alarm over the possibilities in this direction seems entirely unwarranted.

Nevertheless, the disquieting growth of loans indicates a strong probability of a further restriction of business activity in many lines, and a strong improbability that money rates can be much reduced for some months to come.

* * *

FOREIGN TRADE GROWS

BEFORE the war the total of our foreign trade, including both exports and imports, was running about $350,000,000 a month. For the first seven months of 1920 the average has been about $1,200,000,000 a month. Even after allowing for the fact that our price level has somewhat more than doubled since pre-war days, this shows a tremendous growth in our overseas business.

It is very probable that part of this increase may be lost, as the disorganized condition of Europe has compelled it to call upon us for exports that would not normally go forward and has also made Europe a badly handicapped competitor in other foreign countries. Nevertheless we believe that our foreign trade has entered upon a new era.

Since the armistice our exports have continued in about the same volume, with minor variations from month to month, while our imports have practically doubled. As a result our export balance has gradually declined. During the first half of 1919 it was running about $400,000,000 a month. For the first seven months of 1920 it has averaged about $200,000,000 a month. In June it was $78,000,000 and in July $117,000,000. As Europe gets back into production, this tendency is likely to continue. Europe must sell goods, and she must pay us annual interest also.

* * *

CONDITIONS ABROAD

IT is clear that the weakness of foreign exchange at New York reflects the industrial weakness of Europe, rather than any special event such as the Bolshevik invasion of Poland. It portrays the difficulties of Europe in finding the goods to send us in exchange for the goods she must have from us, as well as the fall in value of many European currencies.

A comparatively recent development is the weakness of exchange in countries that were neutral during the war—Holland, Switzerland, Spain, Scandinavia, and South America. The fundamental cause is the same—that all these countries, for varied reasons, have found themselves obliged to buy from us more than they can sell to us. Such rates reflect the Gibraltar-like strength of the United States. But foreign trade must eventually be reciprocal, and these low exchange rates tend strongly to encourage imports into this country.

* * *

THE MARKET PROSPECT

IN view of the very limited supply of liquid capital now available for investment purposes, and the prospect of further liquidation of commodities in various lines of business, it is hard to see how any considerable advance in the prices of industrial stocks can be maintained. The present rise has the appearance of a rally in a bear market. Prices are at a level where increasing resistance is likely to be met on declines, so that no disastrous break is probable, but we believe that the present trend is downward.

Railroad stocks are in a decidedly better position, as a result of the rate increase, and also because they have been more thoroughly liquidated than the industrials and over a longer period. For the rails as a class, we believe the outlook is encouraging. They would, of course, sympathize somewhat with any sharp decline in the industrials, and it is probable that no class of securities can record a continuous advance under present conditions. The oil industry also is in a relatively good position, but it is a question whether its stocks can breast the difficulties of the money market.

The average investor can hardly do better at present than to accumulate good bonds, and it should be borne in mind that some railroad bonds heretofore classed as second grade or speculative will be promoted out of that class by the rate increase.

Tuesday, Aug. 31, 1920.

Cut Down Taxes

J. W. Harriman, President of Harriman National Bank, Urges Use of Stagnant "Ambassadorial Notes" for This Purpose

***Interviewed by* FRANCIS J. OPPENHEIMER**

ONE does not have to pull down Voltaire and read his *Man With Forty Crowns* to appreciate what it is for a people to be "ground down under the heel of taxes."

Modern taxes are much more staggering than the ancient "vineyard" and other picturesque governmental levies of olden times that broke the peasant's back. Criticism against them not only is general but growing in bitterness all the time. They have become a most lively issue and one toward which none of us can any longer assume an academic attitude.

Some observers even claim that capital will be forced to go on strike if its penalization continues, and there are those who see in our increasing taxation a cause for the growing restlessness of labor.

Whether or not these things are so, one thing is certain and that is that many investors are rapidly being driven away from taxable stocks and bonds—**which constitute the bulk of the market**—to exempt securities, thereby crippling financial enterprise to a large degree and cramping industrial initiative.

In words which sounded almost as revolutionary as some Bolshevik, a well-known Wall Street man told me the other day: "The very initiation of taxes in their present form was wrong, and almost criminal," and, "taxation is a disease and a scourge such as any other that afflicts the human race." Extreme, these words, but characteristic of many other uterances made on the subject.

And yet even though there is no end of complaint throughout financial and mercantile circles about this "economic blight," little constructive effort is apparently being expended toward tax reduction in this country. France, on the other hand, according to the High Commission, abolished the excess profits tax established in 1916, a few months ago.

One Constructive Critic Is Found

At least one American has taken up the cudgels against high taxation, however—Mr. J. W. Harriman, President of the Harriman National Bank, who considers the subject a much more important one than the League of Nations, or whether we shall stay "dry" or go back "wet." In Mr. Harriman's opinion, the time has come when we must all face this issue, take the bull by the horns, and the correspondence "Joe" Harriman, as his friends call him, has engaged in with bankers, manufacturers, and merchants throughout the land, indicates that his tentative plan for tax relief has "caught on."

According to Mr. Harriman, who is no visionary, the first step toward the happy day is **to fund the Allied Debt, and in place of the Ambassadorial notes lying "dormant" in diplomatic portfolios, inaugurate through a joint discussion, a joint obligation at a higher rate with a maturity, to replace the Liberty and Victory bonds which are glutting the banks.**

Such a plan, Mr. Harriman believes, would relieve the bond congestion which is as bad if not worse than the rail congestion. It would also release credits for industry, and offset a like amount of interest which taxpayers have had to pay, reducing taxes for a like amount or upon almost half of our war debt. To get some details of this plan, which Mr. Harriman in no way considers perfect, but which has been put forth to stimulate constructive thought on this important subject, I called at the Harriman Bank.

"I would like to see all the Liberty and Victory bondholders get together and secure from the presidential candidates," Mr. Harriman began, "some notion as to what plans they may have, if any, for the reduction of taxes. These gentlemen are looking for votes, and voters are looking, among other things, for relief from our crushing tax system. There are, you know, about ten million of these bondholders, a fact that must be reckoned with. The pressing question of the hour, as I see it, is not whether we shall stay 'dry' or go back 'wet,' nor for that matter, even the League of Nations, but our increasing taxation.

How the War Debt Was Split Up

"The Great War left us a debt of approximately twenty-six billion dollars. Sixteen of these we used up in our own efforts toward winning it, and about ten billions on account of the advance to our Allies for the same purpose. This latter is represented by Ambassadors' notes without maturity and carrying interest at 5%.

"This interest item has recently dragged and been added to the principal until the accumulation is now about equal to the amount limited by act of Congress. This ten billions was raised by selling Liberty and Victory Bonds to many people who, in their patriotic enthusiasm, subscribed for more than they could afford, prompted in their purchases by the fact that they could and would be allowed to borrow on these bonds to almost the full amount of their purchase price.

"The interest for this Allied Debt of ten billion dollars was raised through taxation.

"When the Armistice came, almost two years ago, and hostilities ceased, many of the taxpayers began to look forward to a reduction in taxes. The Ambassadors' notes, however, still remain dormant—without maturity—in the archives of our Treasury Department. Moreover, no interest has been paid by our Allies to offset the interest which has to be met on the bonds that were issued for the purpose of assisting them in their crisis.

"Our taxation has increased with but little promise of reduction. At the same time recent reports from England and France indicate a revival in their commercial affairs and a great improvement in their financial condition. The point necessarily is made that, especially through their commercial activities, a conference should be called and a suggestion made to these countries that their debt, as far as they are concerned, be funded and, in lieu of the Ambassadors' notes, a joint obligation be given us covering a period of years and drawing an attractive rate of interest."

Allies' Agreement Indispensable

I asked Mr. Harriman, knowing how worldly-wise our Allies are, how they could ever be expected to consent to fund their Ambassadorial 5% notes into 6% bonds bearing a definite maturity. He explained that the increased rate for the interest already agreed upon, would have to be determined by agreement. Conferences would have to be held by representatives of the three nations, and a new long term bond issued that would allow ample time for still further improvement in trade and general conditions.

"The obligation thus agreed upon and endorsed by the United States," Mr. Harriman commented, "could then be exchanged for the outstanding Liberty and Victory bonds and offered to the American investing public bearing a higher rate of interest than these. This would enhance the value of these bonds to an extent sufficient to enable their owners, who took them from patriotic motives, to get out 'whole' on their investment.

"Moreover, the condition of the Federal Banks today shows a congestion due largely to these Liberty Bonds being lodged with the banks by the member banks. The liquidation of this congestion and a consequent improvement in the Federal Bank's condition would bring about a release of credits, which would have a most healthy effect on our commercial and mercantile enterprises. And, the making a live asset of the Ambassadors' notes by the substitution for them of a new joint Allied obligation, would, through the interest the new obligation would bear, offset a like amount of interest which the taxpayers have had to pay, and correspondingly reduce taxes for a like amount, or upon almost half of our war debt."

That Mr. Harriman's idea of making a general investment of America's European credits is finding favor is proved by the fact that he has received hundreds of inquiries from all over the country. Mr. John J. Mitchell, Illinois Trust and Savings Bank, commenting on it, gives a technical explanation of how the plan could be put into execution. There are others. "As the European obligations to the United States stand," Mr. Mitchell says, "they are merely Ambassadors' notes which pay no interest. Suppose, for instance, Great Britain and France guarantee the loans and give the United States Treasury a four per cent bond therefor; turn these bonds into the National Treasury and let the Government

(*Continued on page* 648)

Labor's Share in Building Costs

How Wage Advances Have Affected Construction Expense So Far—Little Prospect Seen of Change For Better

By **JOSEPH JOHN KOEN, JR.**

THE building industry is the largest single industry in the country with the exception of the railroads. Since the war, it has had a boom not surpassed by any other line of endeavor. Prices have soared to undreamed of levels; and today, with reactions from war-time inflation taking place in practically all other lines, it is a question of paramount interest whether, in the near future, the cost of new construction work will not also decline.

The facts as given out by the United States Department of Labor are that, since the war began, the prices of ordinary commodities have advanced more than 100%. In the same period, building costs have advanced about 40%. It must be borne in mind, moreover, that these building costs advanced **in the face of drastic building restrictions.**

With the restrictions on building removed, the industry is freed of all artificial restraints. It is once more subject to the laws of supply and demand.

Therefore, to gauge the future of the industry and to foresee the probable trend of prices and costs, it is necessary to analyze the factors entering into supply and demand.

The building industry divides itself naturally into three departments—labor, materials and public, or unsatisfied, demand. Any hope of a reduction in the final costs of a building must rest with the future trend in each of these three branches.

By treating each of these branches separately, I have attempted to determine the probable future course of the industry. My conclusions, based on these analyses, my own personal experience and the express opinions of many of the foremost builders in the country lead me to believe that, **unless forced down by a collapse which the financial structure of this country makes practically impossible, building costs will not be materially lower in the near future. Furthermore, during the next ten years, I believe that costs will not only remain far above pre-war levels but may very possibly score new high records.**

This article, devoted to the subject of building Labor, is the first of a series of three.

Labor's Importance in Building Trade

In very few trades is the labor shortage felt so keenly as in the building business of today and in no industry is the hope of a remedy so vague and distant. It has been common practice to blame the condition on the war and, to the mere surface observer, that has seemed sufficient explanation; but it is the writer's firm belief that, in the period beginning ten years back, we would have experienced the same labor shortage as we have today, war or no war. The only difference would have been in the rapidity with which this shortage culminated.

In the building industry the proportion of unskilled labor to skilled labor is small. The average worker, although not generally understood as such, is a skilled mechanic and has spent three or four years learning his trade. If for any reason he adopts another means of livelihood it is a difficult and lengthy matter to replace him.

Reasons for deserting the building trade have accumulated in recent years; and, in analyzing the situation generally, I find them at the bottom of the labor shortage. That is, many special factors, other than the war, have caused the laborers to leave the ranks.

One of the chief causes of dissatisfaction among the men has been the irregularity of their working days and, thereafter, of their pay envelopes. It is true that they were paid well by the hour, when compared with labor in other lines of work; but reasons were constantly arising, such as inclement weather or delays in arrival of supplies, which forced lay-offs. Time thus lost was, of course, deducted from the pay envelope. When it is realized how frequently these lay-offs occurred in mid-winter—the time when the men were depending most on their day-to-day incomes—the dissatisfaction caused becomes more understandable.

THE writer of the accompanying article on the present and probable future of the building industry is a constructing engineer who has, for some years, been in close touch with developments in and trend of the trade. His analysis will be presented in three parts, of which this is the first.

In addition, the opinions of several of the most prominent builders in the country will be presented.

For a long time, the wage-earner in the building trade was forced to put up with these unfortunate aspects of his work. There wasn't anything else for him to do. But his dislike for his job never diminished and he kept constantly on the alert for any opportunity to change his place.

New Industries Attract Workers

During the past decade, the springing up of countless new industries in the United States, each one calling for hundreds of thousands of men and, latterly, bidding high for their services, have given the man in the building trade the chance he was waiting for. He and his fellows have deserted their old jobs with the contractors on a scale so large as to very nearly strip the building trade of its man power.

The number of men called for in the new industries is more easily realized when the character of the more important of those industries is analyzed. Foremost, of course, has been the automobile industry, which has called one vast section of the wage-earning element to become chauffeurs, another to become factory hands, another to become garage employees and general mechanics. In addition, this colossus of American industry has engaged veritable armies to enable it to handle the automobile accessories line; and, with those ranks filled, there was still the tire manufacturing end, with all its innumerable ramifications, to be satisfied.

Besides being attracted to these new industries by the steadier work and wages they offered, the man in the building trades has also been successfully baited by the far superior working conditions they provided. Rare indeed is the industrial plant of today that does not have its restaurant for its workers, recreation rooms and often a director of recreation, or Welfare Director, to see that the labor in the plant is contented. The large industrial plants have found this to be good business; but it is, obviously, beyond the power of the employer of building labor to follow their example.

Labor, humanly enough, has chosen the place where it could be happiest.

Has Toil Become Shameful?

One of the most important contributing causes in the defection of labor from the building trade—and a cause which, I believe, has not been brought out as often as it deserves—is the shifting in recent years of the sands upon which American social life is based. Due to a policy of over-educating the youth of the country in some ways and woefully under-educating them in others, we seem to have fused what used to be called the laboring element into our middle classes and produced a legion of what is known as "white collar workers." Honest trade has been deprived of all its glamour; working with one's hands has become almost a social sin; and today it is worse than searching for the proverbial needle to attempt to find a young man willing to apprentice himself at a small salary with the prospect staring him in the face of being someday known as a "bricklayer" or "common carpenter."

The young men of today are insisting upon office jobs where hands can be kept "clean"; and from their elders—many of whom, no doubt, secured a comfortable, healthy and honest livelihood by the sweat of their brows—these young men are being encouraged in their course.

No proof of the unwisdom of this policy could be more convincing than the fact that, by turning down trades as a means of employment, innumerable young men have condemned themselves to office work which today is far from as well paid.

The argument may be advanced here that a larger supply of available labor will largely overcome the effects of the conditions I have outlined. In itself, the argument is quite sound; but it does not clear up the question: Where will the larger supply come from?

In this connection, I talked recently

with the manager of a state employment bureau. He said:

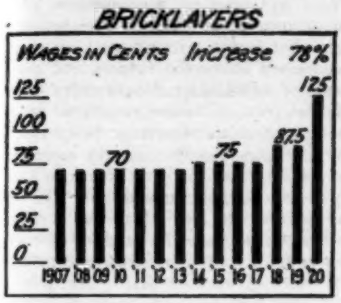
"I can't see any hope of a material change in the labor situation. There aren't men enough now to go round, and any unexpected supply would be snapped up by people like the twenty or thirty big firms who have representatives here almost daily trying to locate more men. There is a particularly keen demand for men in the building crafts, such as slaters, roofers, painters, plasterers, paperhangers, and the like. It is a significant fact," he continued, "that there has been a net shortage of five million immigrants at our ports in the last five years, and it will take many years to make that shortage up."

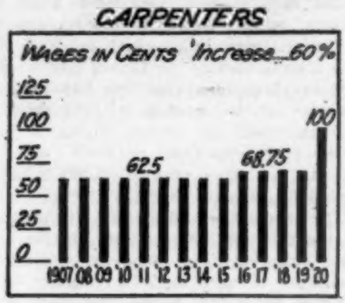
The Statistics of Wage Increases

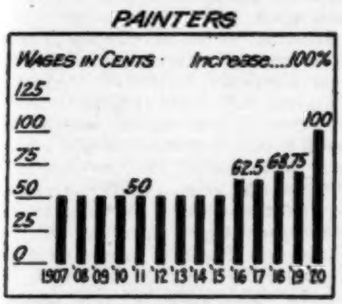
Leaving the human side of the question of labor shortage, it is most interesting to compare the relative wages paid the principal workers in the building trades and their proportionate increases in the last ten years. The accompanying graphs, made up by one of the largest construction firms in the country, illustrate the subject very clearly.

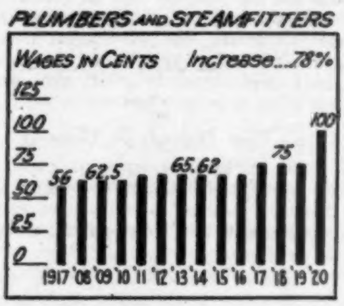
From the graphs it will be noted that, during the ten-year period, the greatest wage increases were in the laborers' pay. In 1910, this class was paid at the rate of 17.5 cents an hour. They remained at that level until 1913 and 1914 when the rate became 20-cents an hour. Then, besides the calls from other industries, came the call to defend their fatherlands, resulting in the loss of many Italians, Poles and Slavs, who constituted a large part of the laboring element.

In 1915 and 1916, laborers' hire advanced to 22.5 cents an hour and in 1918 and 1919 to 36 cents an hour. It was not until the latter part of 1919 and the beginning of 1920 that the most drastic advance to 75-cents an hour took place, showing how acute the shortage had become by that time.



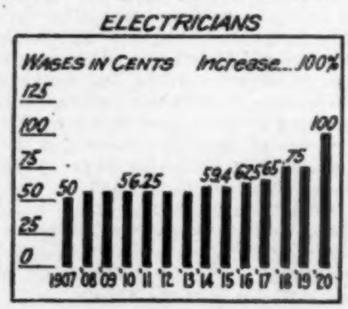


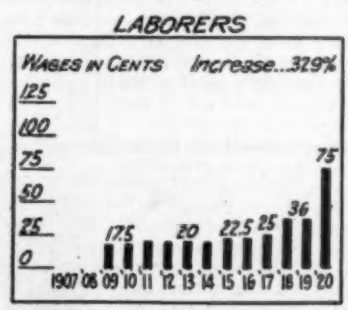


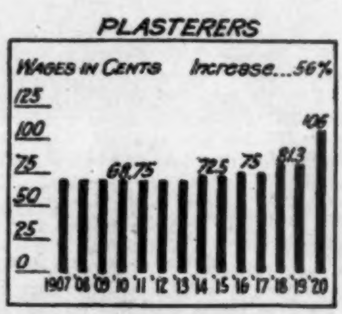


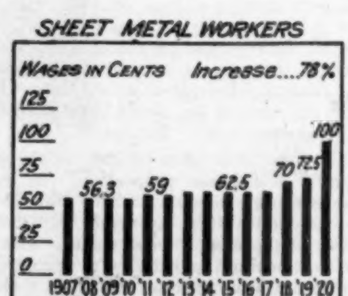
—*Courtesy Fuller Industrial Corp.*

Hourly Wages of Principal Building Trades in N. Y. City from 1907 to 1920.









The total advance represents an increase of approximately 330%.

It is obvious that this huge wage level for laborers will be remedied in some degree by immigration as no special training is necessary and the newcomers can be used practically on arrival. In other words, the decline in the wage scale in this group will therefore be quicker as immigration increases.

In the other branches pictured, we do not find such abrupt increases. The carpenters for the eight years from 1907 to 1915 received the same wage-scale of 62.5 cents an hour and not until 1916 do we find them receiving an advance to 68.75 cents. This latter figure remained constant until 1919 when the large increase to $1 an hour became effective.

The total advance of approximately 60% shows that the scarcity of carpenters is not so pronounced as that of other trades, while still quite large enough to be of great importance.

Perhaps the most serious shortage—and the one it will take longest to remedy—is in bricklayers, plumbers, steamfitters, electricians, painters and plasterers. From 1907 to 1913 the bricklayers' wages remained at 70-cents an hour. From 1915 to 1917 the scale increased to 75-cents an hour. In 1918 and 1919 it rose to 87.5 cents an hour The final advance in 1920 was to $1.25 an hour. This advance, although amounting to only 78% in 13 years, was made up largely of the 42.8% increase scored in one year.

The painters had a similar sharp increase in a short time, their entire advance from 1907 to 1919-20 being from 50-cents to $1, or just 100%.

The Problem of Labor Efficiency

A factor which makes it particularly difficult to analyze, dependably, the future of the labor market is the uncertainty injected into the situation by the differences between capital and labor and the tactics of both parties. Granting that the shortage of men can only be made up by an increased efficiency on the part of those now employed; and further granting that greater efficiency can only be predicated on cordial relations—co-operation—between the "boss" and his "gang" it is pure guesswork whether or not any pronounced change for the better can take place.

It is hard for labor to forget the time when it was not in such demand as it is today. Most of the men now employed remember the day when they could consider themselves lucky to get a salary even approaching the union scale. (Despite the drastic "rules" against working for less than union rates, it is the writer's knowledge that, when depression

(*Continued on page 657*)

Will We Have Dollar Corn?

Market Prices Subject to Sharp Fluctuations but Statistical Position Seems Bearish—Free Car Movement the Greatest Need

By **H. L. NICOLET, Kansas City**

WITH a prospect for a crop of 3,000 million bushels of corn this year, nearly 100 million bushels more than last year, and the largest with two exceptions ever produced, the men who raise, feed, market, and speculate in corn are engaged with the problem of ascertaining what the new crop will be worth. Just at present it is largely a speculative proposition, and the fact that some speculators are willing to sell corn for December delivery at 30 cents a bushel or more below the value of carlots of corn for immediate use shows that a much larger range of prices is expected for the 1920 crop than the value of the 1919 crop.

This is the customary experience. A year ago speculators were selling December corn around $1.40 to $1.45 a bushel when carlots were worth around $2.00. December corn in Chicago sold below $1.20 in September last year, but it was up close to $1.50 before all the contracts expired and carlots sold as high as $2.17 in Chicago and $2.02 in Kansas City last spring.

The present tendency in all the great speculative markets is to assume that the future course of prices will be downward, and therefore all the great staple commodities in which there are facilities for public speculation are selling for future delivery far below their present cash value. This motive is prevalent in the corn market, in addition to the belief that a crop in excess of 3,000 million bushels, following a crop above the average last year, should result in lower prices for corn.

Corn Differs from Other Commodities

The problem of corn prices is different from that of any other important commodity for the reason that a comparatively small part of the corn crop reaches the central markets. Farmers sell practically all the wheat they produce except a small part retained for seed, but the corn crop constitutes the raw material for producing livestock and for keeping farm operations going. Less than 20% of the corn crop is shipped out of the country where it is grown, and less than 8% reaches the eleven principal primary markets.

Moreover, the value of corn is almost entirely a domestic proposition. In the last five years exports of corn from the United States have averaged less than 1½% of the crop, a proportion so small as to constitute practically a negligible element in price making, though at times the speculative market is temporarily affected by the demand or lack of demand for export.

In recent years Argentine has been able to supply practically all the European demand for corn below United States prices. It is one of the curious anomalies of the trade in corn that the United States exports less than 1½% of its huge annual crop, ranging from 3½ to 3 billion bushels, while Argentine exports nearly half of its total crop, which generally is only a tenth that of the United States. In 1918-19 Argentine exported 106 million bushels out of a crop of 240 million bushels, while the United States in the same year exported only 27 million bushels out of a crop of 2,500 million bushels.

The anomaly is still further emphasized by the fact that this country has in recent years actually imported moderate quantities of corn from Argentina.

Years ago in the times when corn was cheap, the export trade was an important factor, reaching its maximum in 1900, when shipments out of the country reached 209 million bushels out of a crop of 2,018 million bushels. Corn then was worth 30 to 40 cents a bushel.

Corn's Price Depends on Livestock

So the question as to what corn is worth is resolved back to the question as to what the farmers' product from corn—fattened cattle and hogs—will be worth in the next year.

The general expectation in packing circles is that live stock prices must come down. This view, of course, is not shared by producers, who contend that there is no profit in feeding, especially cattle. There is no doubt but that cattle feeders have suffered large losses on the corn fat animals marketed in the last 6 months. There have been cases where losses amounted to $50 a head or more. They were due primarily to the fact that cattle marketed in that period were bought when prices were higher, and the loss is due chiefly to the decline in the market. Prime steers were selling at $19 to $22 a hundred pounds in the last half of 1919 and they are now worth $16 to $17, and were still lower in the spring.

Hogs are worth $15 to $16 a hundred pounds now. They were up to $23 a year ago. The great fall in prices from the high levels has discouraged many feeders. Present prices, however, are still more than double the average in the years before 1916, and with a big crop of corn, hay, and other feeding crops, it does not appear likely that there will be any serious curtailment of feeding operations. The farmers of the corn belt are in the business of feeding livestock as well as raising corn and hay, and though there will be some instances of discouragement and curtailment, it is the usual experience that a big crop means extensive feeding, and the packers probably are right in expecting lower livestock prices next winter.

The car situation is going to be an important factor in making the price of corn at terminal markets, just as it has been for a year past. Car shortage has kept the corn receipts at central markets down to the bare current requirements of trade. There has been no accumulation of any importance at any time. The result has been that carlot prices have been steadily maintained above the futures and the absence of any important quantities of corn for delivery on future contracts, as they mature, was an important sustaining influence. Apparently that will continue to be the situation for months to come. The railroads cannot furnish all the cars needed and the lack of adequate railroad facilities will force the holding of corn in the country. Where farmers cannot sell corn as fast as they desire, for this reason, they will be more inclined to find a home use for it, or to hold it as a valuable asset.

The effect of the car shortage is shown in the primary market receipts. The total from November 1, 1919, to August 14, 1920, was 179 million bushels, from a 1919 crop of 2,917 million bushels, compared with 150 million bushels received from November 1, 1918, to August 14, 1919, out of a crop of 2,500 million bushels. In other words, a 1919 crop 400 million bushels larger than the 1918 crop yielded only 29 million bushels more corn in commercial channels, and at no time did the visible supply of corn exceed 6 million bushels at 17 terminals. In 1917 the maximum accumulation was 19 million bushels; in 1916 it was 28 million bushels; and in 1919 the visible supply was up to 33 million bushels.

These figures appear insignificant in comparison with the total crop of corn; but the size of the invisible supply is an important factor in making the price of corn when there is unrestricted speculation in future deliveries, and the bulls and the bears have to confront large quantities of actual grain immediately available for filling their contracts.

Speculators Look for Dollar Corn

Old timers in the grain markets who remember when 50 cents a bushel was a high price for corn, and who recall sales of millions of bushels below 30 cents a bushel, have difficulty in making themselves believe that it can continue permanently above a dollar a bushel. As late as 1913 corn sold below 50 cents a bushel in Chicago. The economic revolution wrought by the war and its attendant inflation has affected corn as well as all other commodities, and it went above $2 a bushel in 1917 and again in 1919, and in May this year. The carlot prices are at this writing, still above $1.50, but some speculators are risking their money on the proposition that it will be down to a dollar before another year. The December delivery in Chicago sold as low as $1.19½, and in Kansas City down to $1.15 early this month.

Foreign Trade and Securities

America Supplanting Japan in Exports to Australia

Lead Lost During the War Now Being Steadily Regained—Big Possibilities in Australian Market

By HARLEY MATTHEWS

MADAME YONE SUZUKI of Japan is the richest woman in the world. From the steamships she owns, her shipbuilding yards and her factories in Japan, she is believed to have made over $50,000,000 in profits during the war.

America has a special interest in the case of Madame Suzuki and in some other Japanese fortunes made since 1914. For they were built up largely at the expense of American trade as well as the commerce of other Allied nations.

Unlike most of the Allies, Japan did not pool her shipping resources during the war. Nor were many of her ships diverted from their regular trading routes to transport troops. At the beginning of hostilities, it is true, she landed a garrison at Kaiou Tchau, and towards the end she despatched troops to Siberia. But neither of these ventures called for one hundredth of the tonnage that America had to provide to get her soldiers all the way to Europe.

The trade figures of the two countries' largest Pacific customer—Australia—prove this. They show that after America's entry into the war her exports to Australia showed no increase, while Japan's trade still continued to increase enormously.

After the outbreak of war, with the factories of Germany closed to her, and imports from the rest of Europe greatly restricted, Australia turned to the two countries, America and Japan, for many of her wants that the old world had previously supplied.

But Japan was able to take greater adavntage of the situation. Here are the remarks of G. H. Knibbs, Australian Federal Statistician, on the result:

"With regard to the share of the trade taken by these two countries (America and Japan), it is noticeable that while the value of the imports from Japan has increased steadily year by year, the value of the imports from the United States has been practically stationary since 1915.

"Although the value of the imports from Japan is less than from America, the rate of increase has been far greater—from $3,367,595 in 1913 to $20,252,025 in 1918, equal to 501%."

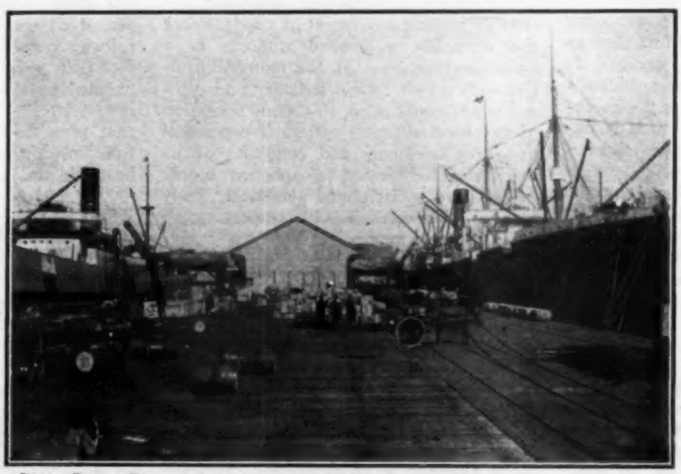


Photo Brown Bros.

UNLOADING AMERICAN GOODS IN AUSTRALIA.

View on the docks at Sydney, one of the chief ports of the island-continent, whose imports represent about $45.50 per inhabitant and largely consisting of apparel, textiles, machinery, hardware, oils, chemicals, paper and glassware.

What the Market Offers

To show the trade waiting to be captured, in 1913 8.82% or $36,000,000 worth of Australia's imports were from Germany; and between 1913 and 1918 her imports from Great Britain declined from $205,638,500 to $110,374,000.

Yet, though during this period Australia was in need of manufactures more than ever, the United States was only able to increase her exports to Australia from $54,544,000 to $77,278,000. That means that she had not captured so much as two-thirds of the trade previously done by Germany with Australia, let alone filling any of the wants that Great Britain and the rest of Europe once supplied.

Though her total export trade with Australia was not a third of America's, detailed figures show that Japan actually surpassed the latter in the supply of textiles and many of the smaller articles of manufacture. A large part of America's export trade to Australia was in primary products. Thus in the figures for 1918 $2,600,000 was for foodstuffs and $8,635,000 for oils. Then in the same year Australia paid $16,000,000 for heavy American machinery.

But in 1918 Japan was supplying 11.55% of Australia's imports in wearing apparel, and America only 7.33% of them. Of the imports of earthenware and glassware 42.70% was from Japan, and 23.35% from America. Even in such highly specialized goods as drugs and chemicals Japan was making an attempt to get the larger share of the trade. Of Australia's imports in these lines she was supplying 18.17% as against 20.09% by America.

In all branches of trade Japan was striving as never before. Never had there been such lack of opposition, and she was taking every advantage of the opportunity.

Will America be able to get this trade that Japan has secured through her favorable position during the war? It looks like it. In the trade figures for 1919, just made available by Mr. Knibbs, Japanese exports to the Commonwealth have already fallen off by nearly $500,000. America's export trade has almost doubled itself, climbing from $77,278,000 of 1918 to $136,498,000 for the year ending December 31, 1919.

Analyzing the Trade

Much of the increase is in textiles and other manufactures. In wearing apparel from America there was a leap from $7,930,000 for 1918, to $20,676,000 last year. Japan in this line, however, also supplied $15,000,000 worth of goods.

In earthenware and glassware America showed a distinct advance and a decided lead over Japan supplying $2,639,000 worth as against $1,555,000 by Japan and $900,000 by herself in 1918.

As a supplier of drugs and chemicals America more strongly asserted her superiority than in the year before. She supplied the Commonwealth with $5,250,000 worth of them, while Japan's trade in them had dwindled to $930,000.

This decline in the demand for Japanese goods and the rapid increase in imports from America is no surprise to the Australian. It was what he had been expecting would happen as soon as America began to re-establish herself after the war.

No Australian bought Japanese goods

(Continued on page 654)

The World's Business

Commercial Failures Increasing in Germany—Big Railroad Building Program Contemplated by Italy

OVER-SPECULATION IN FOREIGN BONDS?

SIGNS are accumulating that American investors irresistibly attracted by the favorable exchange rates, are plunging heavily in the bonds of foreign countries. As a result, experienced observers are sounding a note of warning. Admitting that there may be bargains in many foreign issues, it is emphasized that a few of them ought to be enough for any man, the idea of placing all idle funds in foreign cities, industrial or other securities not being considered one that should be absorbed bodily. In this connection, one authority said recently:

"There are investment mediums here which we know are safe. There are good speculations among American securities. To take a position which, in the event of trouble, might heavily involve the investor or speculator in his foreign commitments is very bad judgment at this time."

The advice to discriminate in the selection of foreign issues as well as to confine purchases of them to reasonable, safe limits, is given, it may be added, without any reflection upon any of this class now being so heavily trades in local markets.

BUSINESS FAILURES IN GERMANY

THE following cablegram has been received from Berlin by the Department of Commerce regarding present economic conditions in Germany.

Bankruptcies are increasing monthly—62 in April, 75 in May, 106 in June and 136 in July—characterize the economic situation in Prussia. Frankfort figures show the necessities of life declined in price from 289 to 277. Prices are slowly diminishing, if irregularly, with the exception of price of hard coal, which is expected to increase. Food prices showed a slight decline in July.

Wages have not been reduced by the downward tendency of prices; instead there have been demands for increased wages on account of the workman's taxes being deducted from the pay rolls, but owing to the labor market's unsettled condition no considerable increase is likely to be granted. The problem of unemployment has caused the Government great anxiety, and measures to prevent the increase of unemployment are being sought. The number of unemployed in July was about 312,000, against 270,000 in June.

As one preventative the Government has adopted the so-called Arbeiter Losenfursorge, which provides that the men are kept at work by the State or community in Cassel. For example, it was intended to close a large shoe factory, so the community ordered 6,000 pairs of shoes for use in the community, and raised the sum in cash, which enabled the factory to run four days a week and gave work to a large number. The sales were handled by the cooperative societies and trade-unions and the men kept at work. However, this plan can only be carried out under certain circumstances, and other preventative means for unemployment are sought by legislative action which provides insurance of the unemployed.

The adjustment of labor questions which arise between the employer and the employee by an adjustment board is aimed at by an important bill of social Reichstag in July. A compromise between political character brought before the capital and labor tendency was a characteristic feature of the economic development in July.

ITALY TO RUSH NEW RAILROAD BUILDING

WRITING from Rome, Trade Commissioner H. C. MacLean says in part:

Railway transportation in Italy at the close of the war presented two distinct problems: The reorganization of existing facilities, including the repairing of existing rolling stock and the purchase of additional equipment; and the extension of the old system through the construction of new lines, in order to meet the growing needs of the country for means of communication. Up to the present time conditions have been so unfavorable that it has been impossible to make material progress with reference to either of these extremely important questions. In spite of the efforts that have been made by the Government to afford relief, the inadequacy of the Italian railway service, which made itself felt soon after the signing of the armistice, continues; and the inability to obtain the reasonably prompt movement of goods, either raw materials or finished products, is by no means the least of the many difficulties with which Italian industry and commerce are confronted. Efficient operation of any transportation system is dependent upon the adequacy and condition of its mechanical equipment, a sufficient supply of fuel, and a disciplined personnel. Italy is at a disadvantage with respect to all three of these factors.

Conditions Which Hamper Repairs and Replacements—Lack of Coal

During the war all of the belligerent nations were obliged to postpone railway repairs which would normally have been effected immediately, and Italy was no exception to the rule. Consequently, on the signing of the armistice, the few large Italian establishments which were in position to carry on work of this character, found themselves faced with an accumulation of repairs and orders for new equipment sufficient to occupy their entire capacity for several years. Furthermore, during the past year, they have been severely hampered in the matter of production on account of the constant shortage of raw materials (notably steel and coal) and repeated labor troubles, resulting in long-drawn-out strikes and enforced periods of idleness. Since the same demand for railway material exists in other countries, the measure of relief that it has been possible to obtain from the outside has been limited, and progress with regard to the rehabilitation of Italian rolling stock has been slow.

Italy's lack of coal is too well known to require any special comment. Suffice it to say that at no time since the end of the war has the supply of coal exceeded more than about one-half of the quantity normally consumed, and that the Italian railroads have been obliged to eke out their scanty allotment by employing lignite, wood, and other unsatisfactory substitutes. Of necessity, irregular service has resulted.

War Suspended New Construction—Period of Active Construction Looked For

With regard to new construction, the execution of new projects for railway extension in Italy, which had already been approved, was necessarily held up during the war, except where these presented some special military advantage; and, owing to the shortage of steel for munitions, etc., it was even found necessary, in certain cases, to dismantle sidings and double-track lines that were not considered essential. Since the armistice special attention has been devoted by the Government to the railway problem, but the high prices, both of materials and labor, and the difficulty of obtaining the former at any figure, have constituted a serious obstacle to rapid progress with regard to new construction, especially as far as private undertakings are concerned. However, these unfavorable conditions will not, it is hoped, be of long duration, and when an improvement takes place a period of special activity in the way of railway construction in Italy will begin. Not only must the increased facilities demanded by the marked expansion of the industrial life of the country during the past years be provided for, but also the time lost during the years of war must be made up.

TROUBLES THAT NEVER HAPPEN

"THE AMERICAS," published by The National City Bank of New York, says in part:

A story is told of an old man who sat reviewing the long years he had survived and who mused to himself: "I have seen an awful lot of trouble in my life, but most of it never happened." Five years or a decade hence, when the world sits down to review the disturbances that have filled the two years following the close of the war, it is extremely likely that the old man's observation will be very much in order as to the majority of the difficulties and disturbances that are now causing the world so much concern and distress.

In all the unrest and upheaval that have followed the war the world knows this, that at least 95 per cent of the dire predictions of calamity made during the war, at its close and so recently as four months ago have failed to be realized and that every day that passes makes the likelihood of their being realized more and more remote.

The Facts Behind the Boom in Canada's Pulp and Paper Industry

Dominion Sees Day Near When It Will Dominate the Industry—Large Proportion of Paper Securities Held by Americans

By **M. O. HAMMOND, Toronto**

FOR a generation Canadians have been familiar, through modern railway construction, with the wilderness of the northern latitudes of the Dominion. As they viewed from their comfortable railway coaches the millions of acres of Laurentian country, dotted here and there with unnamed lakes and penetrated by rushing brown rivers, the thought was usually uppermost that here was a barren waste of no economic value. Near the railway there had usually been forest fires, but about all the gaunt stems of burnt trees suggested was plenty of material for ladder poles. Few realized that they were looking upon natural wealth which would some day add substantially to the wealth of the Dominion.

Now and again, a daring business man sought a concession from the Government to cut spruce trees, and promised to erect a pulp or paper mill, or both; but for years the career of these pioneers was one of trouble, and, at the most, modest returns in profits. Continental countries in Europe, with more advanced forestry methods and more accessible markets, were supplying that part of the world, while the great forests of the United States were still an important part of that country's resources.

It was only when the war had nearly spent itself that Canada's forest wealth at last took its rightful place in world industry. Part of this resulted from the disturbed conditions of Europe, cutting down production, but the greater contributing causes were the impending exhaustion of pulp supplies in the United States, combined with the vast increase in advertising and consequent consumption of newsprint paper which accompanied the post-war boom.

The Heyday of Canadian Paper

For over a year now Canada has enjoyer an unprecedented boom in its paper industry, both in the mills and in the stock market. Perhaps nothing in the history of the country has created quite such a furore in the securities markets as the paper boom.

Stocks in paper companies unknown outside the narrow circle of buyers and sellers of the commodity soon became household words, and the talk in barber shops inevitably turned on the merits and prospects of some particular paper company.

A survey of the blackboards in the brokers' offices for months at a time showed long rows of figures recording transactions in these securities, while the staid old industrials and banks, which had been in favor so long, were almost totally neglected.

Stories were current of long vacations, new automobiles purchased, or nest-eggs laid away for rainy days, all representing profits in paper stocks.

Warnings from old-timers had little effect on the public; any conservative advice was immediately countered with stories of soaring newsprint prices and reminders that the paper industry was really a great basic feature of Canadian life, a branch of manufacturing with an inexhaustible abundance of the principal raw materials right in the country, with export trade, instead of the home market, dominating, and with the companies independent of tariff interference.

For some time the market continued on its upward way, with few interruptions. Every few weeks a "melon" was cut, adding fresh zest to the traders. It was not until early in August that a top-heavy market met its inevitable fate; but even after that warning fresh buying soon overcame the 10 to 20 point losses which had been scored.

Americans Have Profited

From the United States' point of view, all this boom in paper stocks has a special significance. In the first place, American investors have enormously added to their holdings in Canadian paper companies, it having recently been stated with authority at the Imperial Press Conference in Ottawa that from three-fifths to three-quarters of the shares outstanding in Canadian paper companies are now held by United States interests.

This fact is of a special importance in view of the dependence of the United States on Canada for a supply of newsprint, and also in view of certain Provincial regulations preventing the export of pulpwood cut on public lands, the object being to encourage the manufacture of the raw material in Canada.

Ten years ago Canada supplied less than 1% of the newsprint requirements of the United States; in 1909 the percentage was under 4; but today Canada supplies over one-third of the total consumption of newsprint in the republic.

Americans who have bought Canadian paper stocks within the past year have had something of a special bargain by reason of the position of exchange. All during 1920 the premium on New York funds in Canada has ranged above 8%, and it has averaged probably around 12 or 13%. This has given investors across the border an additional incentive toward the purchase of Canadian stocks, and full advantage has been taken of it in the purchase of paper securities.

The causes of this discrepancy in exchange need not be discussed in detail here. Canadian finance, emerging from the heavy war strain, imported vast quantities of commodities from the United States during the early period of reconstruction, for which cash had to be paid, while many of Canada's exports have gone to Europe on long terms of credit. Just as with the European nations, the only solution for Canada of the adverse exchange will lie in economy and hard work.

Canada's First Mill

The very first paper mill in Canada was established in 1803 at St. Andrews, Que., by a party of Americans who obtained concessions from the seigneurs. Development of the industry was slow, until the latter part of last century, when the modern promoter saw the potential qualities of waterpowers and spruce forest.

In 1901 there were twenty-five mills, with a total capital investment of $11,500,000, but by 1918 there were ninety-four mills with capital invested swelled to a total of $241,000,000, and employees numbering 23,311.

Statistics without number might be given to show the steady growth of this industry, but they are not necessary. It may be noted in passing, however, that in capital invested, Quebec leads with $101,000,000, Ontario comes next with $88,000,000, then British Columbia with $42,000,000, New Brunswick with $7,000,000 and Nova Scotia with $750,000.

The future of the older companies is bound to be affected by the new develop-

Canadian Paper Securities

TABLE I.—PRICE RANGE.

	Range 1919 High	Range 1919 Low	Range 1920 High	Range 1920 Low
Abitibi	290	48	*87	63
Brompton	87	55¼	*74½	59
Laurentide	276	182	*125	82
Price Bros.	260	155	*366	258
Provincial	85	51	*132	80
Riordon	191	117¼	*101	90
H. Smith	147	65	*157	74¾
Spanish River	90½	17	124½	75
Wayagamack	90	46	186	71

*These companies made stock distributions, increasing number of shares.

TABLE II.—EARNINGS RECORDS.

	1919	1918	1917
Abitibi	$2,125,717	$1,048,653	$1,323,601
Brompton	1,098,337	1,051,274	1,073,562
Howard Smith	181,552	91,298	81,023
Laurentide	1,823,656	1,704,655	....
Price Bros.	2,055,782	1,493,961	1,374,782
Provincial Paper	423,568	409,433	456,338
Riordon	1,810,127	1,651,259	1,948,651
Spanish River	2,256,896	1,385,094	1,847,913
Wayagamack	1,103,687	1,057,742	966,349

ments now being reported from day to day. Within the past two months upwards of a dozen new pulp and paper mills, to be established in the provinces mentioned, have been announced, and it is but fair to say that the new competitors will weaken to some extent the strong position held by the hitherto overburdened companies which have been striving to meet the demand under famine conditions. Some of these new companies will be in operation by next spring; others will be more deliberate in their construction.

Recent figures show that in the last ten years the production of newsprint in Canada has increased from 150,000 tons a year to 808,000 tons, while in the United States, where the supply of pulpwood rapidly nears exhaustion, the increase has been from 1,176,000 tons to 1,375,000. It is estimated that the production of newsprint in Canada in 1920 will be 856,000 tons and in 1921, 940,000, based on the extensions to mills and new construction now under way.

The Future of the Industry

From the standpoint of possible development in the future, conditions in Canada appear favorable to the paper industry. Nothing looms up to materially lessen the demand; on the contrary, the actual scarcity of newsprint is causing innumerable suspensions of newspapers on both sides of the line. The supply of balsam and spruce in Canada, the chief raw materials for newsprint, is adequate for a goodly period, though no one can face even this aspect without hoping for the early discovery of a substitute.

Government figures indicate the following number of years' supply of spruce and balsam in the Provinces mentioned, based on the rate of cutting in 1918: Quebec, 52 years; Ontario, 90 years; New Brunswick, 36 years; Nova Scotia, 80 years.

In addition to this natural wealth are the waterpowers so abundant in the Dominion. Canada has 2,214,721 h. p. actually in use, and the ultimate capacity of plants now operating or under construction is 3,384,808 h. p., with no less than 19,554,000 h. p. undeveloped. When it is remembered that the entire waterpower resources of the British Empire are computed at 50,000,000 to 70,000,000 h. p., the strong position of Canada in this regard will be appreciated.

Waterpower plays a most important part in the making of paper, as may be seen from the grouping of the paper mills around the foamy crests of the northern parts of Canada, though unfortunately waterpower cannot quite displace the use of coal. Canada has plenty of coal, but it is largely situated in the extreme east and the extreme west, which makes it expensive to haul to paper mills in the central part of the Dominion.

Natives Expect to Dominate Field

These natural advantages, coupled with the rapid development of the past few years, encourage Canadians to believe that in course of time their country will become supreme in the paper industry. Canada's export of newsprint has steadily increased since 1913, that of Scandinavia has steadily decreased, while the United States has made little progress, in supplying outside markets.

No better indication of the steady growth of the Canadian pulp and paper industry is to be had than a table of the exports of its products during the past ten years, showing an increase from $8,639,984 in 1911 to $104,635,338 in the fiscal year ended March 31, 1920. Of this total, paper and manufactures thereof comprised $63,253,419 last year, chemically prepared pulp $32,998,500, and mechanically ground $8,383,419. The exports for each year were as follows:

Year	*Total*
1911	$8,639,984
1912	8,960,186
1913	11,850,632
1914	19,055,373
1915	27,107,697
1916	28,077,882
1917	46,521,877
1918	63,506,222
1919	83,862,566
1920	104,635,338

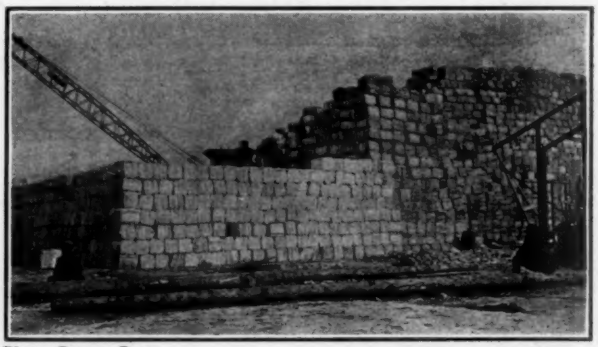


Photo Brown Bros.

CANADIAN WOOD PULP AWAITING SHIPMENT

With vast resources in forests of balsam-fir and spruce and with abundant water power, Canada's position in the newsprint market seems assured.

Imports of paper and manufacturers into Canada have been a small matter, and are mainly of a special kind not made in Canada. The total in 1919 was $9,044,390 and of this $8,564,940 came from the United States. There has been a slight increase in imports in recent years, accountable no doubt from the higher prices rather than increased quantities.

Standing of the Individual Issues

Criticism of paper stocks in Canada has been mainly that the advances in price have been due to excessive speculative fervor, rather than to a judicial consideration of the outlook for the properties. Such a criticism, of course, could be offered against any wild development in the stock market, and it is but fair to say that many booms in the past have taken place with a less substantial basis than exists for the Canadian paper stocks.

It has been computed that between the end of 1918 and the period in the early summer of 1920, when the Canadian paper stocks were at their height, in market quotations, the value of the stocks of ten leading companies, as appraised by the stock market, had made a prodigious increase. It was estimated that the market value of these shares on December 31, 1918, was $46,082,926, while by the middle of July the figure had grown to $185,626,606. Making allowance for additions to plant and the increased price at which paper was sold, it is clear that scores of millions have been added through the enthusiasm of the public. Contributing incidents to the steady rise in the stock quotations were generous stock dividends. For example, the Abitibi gave five shares for one, Laurentide three for one, Brompton two for one, and so on down the list.

Details of these stock distributions are too involved for ready explanation, in an article of this kind, although they naturally have affected the course of the stocks on the market. At the same time, it is worth presenting the record of the nine companies listed on the Canadian Exchanges during 1919 and 1920. This is shown in Table I.

In addition to the statements of earnings from time to time and the reorganizations with cutting of "melons," public interest in the paper stocks has been stimulated by the sale of new securities on a generous scale. Outstanding among these was an issue of $8,500,000 preferred shares by the Riordon Company, sold in June of this year and quickly absorbed, in fact, over-subscribed. Financial operations for a single corporation on this scale could not be without significance, and had its influence in sustaining public interest in the entire group of paper securities.

Earnings Have Grown Steadily

It is not feasible to quote at length from the financial history of the various Canadian paper companies, even were it desirable, as the position of the majority of the companies is not made public because of their being private enterprises. It is worth while, however, to quote the statement of earnings of the nine listed companies for the past three years, and showing in most cases a good increase. This statement, however, by itself would not appear conclusive; nor even would it seem to justify the fervor of the market. Much of the new enthusiasm is based on higher prices of newsprint, which have risen from around $50 per ton to upwards of $120 within the last two years, with the main proportion of the increase going into effect this year. Besides that is the realization that heavy increases in capacity have been made necessary at the various mills to cope with the growing demand, while at the same time existing properties could not be replaced except at the expenditure of perhaps three times the original cost. This latter point has been important in encouraging the purchase of paper securities, and has also led several companies to increase their capitalization.

The earnings for the past three years of

(*Continued on page 658*)

Money, Banking and Business

Deflation in Woolen Industry Still to Be Reached

Large Unsold Supplies of Raw Wool Will Neutralize Effects of Any New Buying Movement—Causes of the Recent Slump

By **JAMES GARRISON**

WITHIN the last four months the wool industry has given a good demonstration of how deflation in any line of business works out. The background for the slump was briefly as follows: After a short period of depression immediately after the armistice, the woolen industry, from growers to manufacturing clothiers, went through a period of unusual prosperity. The Government stocks, amounting to some 450,000,000 pounds at the beginning of the period, were worked down at steadily increasing prices to some 60,000,000 at the present time: As the domestic clip is fairly constant at something like 300,000,000 pounds annually, unlike cotton, whose crop varies from year to year, the only way to meet the increased demand for woolen goods was to increase importations. At the same time, in view of the steadily rising prices, stocks on hand at mills and clothing plants went up, partly for legitimate trade reasons, such as the necessity of buying for a longer period ahead in view of disturbed trade conditions, partly because of the growth of speculation, among jobbers and manufacturers alike who sought higher profits.

The price increases continued until they finally struck a snag in consumers' resistance after the prices of finished products reached too high a point. The first group hit was the retailers, who were left with unusually large stocks of clothing on hand and no market for them. To stimulate trade they practically "dumped" their inventories, and at the same time cut their buying from clothing manufacturers, not only below the excessively large amounts which they had been buying, but even below normal requirements, pending the disposal of their stocks on hand.

Manufacturers in Similar Position

The manufacturers, not to speak of wholesalers and jobbers, were in a similar position. They, too, were unable to dispose of their stocks to their normal channels of distribution, and in turn cut off, though this is denied in most quarters, actually cancelled their orders. This movement spread through the woolen manufacturers back to the growers, who as a result are left with this year's crop practically on their hands, or at least, it is estimated, with 90% of this year's clip, including wool in the hands of consignment jobbers and commission houses. Together with this slowing-up of activity all along the line has come, of course, a tendency to decreased prices, in the same order as that given above, beginning with clothing and ending with raw wool. The impression appears to prevail, however, that deflation has by no means run its course throughout the industry, hard-hit as some branches of it may be.

To a large extent this is a matter of how costs are distributed. For instance, for the average suit of clothes, including some 3⅛ to 3¼ yards of material, there are needed some four pounds of wool. Taking the case of one particular grade of wool which has fallen from $2.25 a pound to about $1.25, admittedly a large degree of deflation, the total saving on a suit of clothes because of the decline in the raw material amounts to only $4.

Obviously this is not enough of a drop to stimulate buying by the ultimate consumer. In fact, if the wool were given away free to the manufacturer he would save only $9 to the suit of clothes over the peak prices. It is apparent, therefore, that the deflation of prices in the woolen industry will have to include other factors than costs of material. One large element of costs, and admittedly one which has been of greater importance in the past year and a half than heretofore, has been the piling up of profits, Pelion and Ossa fashion, spinners' on top of growers' profits, clothing manufacturers', jobbers', wholesalers' and retailers' profits finally making a cumulative burden which is intolerable to the buying public.

Naturally, figures are lacking in this respect, but assuming that profits all along the line were increased only 100% at each step, it will readily be seen that as the series is a geometrical progression, each profit being calculated on the basis of the increased profit of the member just preceding, by the time it gets to the last element in the series, the consumer, prices will have increased considerably more than they have to any other series-element. If it takes five steps for wool to travel from the back of a sheep in Colorado to the back of a "sport" on Broadway, and the usual margin of profits had been 25% at each step, it can be figured that the cost plus profits not including manufacturing costs, would be $9.76, starting with four pounds of wool at $1 a pound, while starting with $2 a pound for wool and doubling the margin of profits at each step, à la 1919, the cost plus profits figure would amount to $40.50.

These figures do not pretend to give the actual conditions of the trade, but they indicate the pyramiding process that drove the price of clothing up last year. Profits are one of the most readily attacked elements of cost, and as suggested by the foregoing facts, reduction of profits all along the line will be one of the first elements contributing to the fall of prices.

Labor Costs Exert Influence

Labor costs are another important element in the cost of the finished product and resemble profits in the way they are

(*Continued on page* 616)

The Future as Financial Leaders See It

Readjustment Throughout Business Viewed Calmly by Authorities—Credit Outlook Believed Favorable Both at Home and Abroad

GENERAL READJUSTMENT WILL TAKE LONG TIME

President Meinhard, of M. H. Meinhard & Co., Not Afraid of Test, However

"Any man who is a bear on the future of this great country of ours is a fool and is beaten before he starts. But that does not mean that we are not going to have our period of depression following our excesses of the past few years. Not being the seventh son of a seventh son I have no means of determining how long that process is going to take, but I believe that it is going to take a long time.

"Commodities are being liquidated. I do not believe that they have been liquidated as fully as they will be. In fact there are some commodities which have not been liquidated at all yet. The whole circle will have to be completed.

"Then there is the liquidation of labor which is going to be a difficult process, a long and very bitter process and which will, I fear, bring serious trouble to the country. However, the economic law does not fail to insist on its observance in the end. That is part of the psychology of the present time.

"Capital too, has got to be liquidated just as everything else, and that too will take a long time.

"I do not believe that any man can put his finger on any one thing and say that when that particular thing is liquidated the end will have come. That is not the way the economic law works. Some things will have been liquidated long before it has reached other things, but as I said before the whole cycle must be completed and that will take a very long time.

"There has been a deal of idle talk about the textile trades having been caught with large stocks of goods, high inventories and other nonsense. I know that I was only one of a large number of business men who saw that reaction must come and the trade generally prepared for it as early as last October. I doubt whether any of the larger factors owe their banks a dollar."

LONG TREND DOWNWARD IN SECURITIES HAS NEARLY REACHED LIMIT

Allen S. Forbes, of Harris Forbes, Foresees Good Effect on Business

"As a result of the material accomplishments of the past few years, there is a very large amount of money which should normally be available for investment; and while it is true that until the tax laws are essentially modified an important part of the investment buying community cannot be reached by other than tax exempt securities, it is apparent in the minds of many careful students of affairs the long trend downward in security values has nearly, if not quite, reached the low limit; and, acting on this impression, there is noticeable a somewhat improved demand for long-time bonds.

"If this demand persists and widens the effect on the security market will be favorable and the consequent effect on all lines of legitimate business distinctly beneficial."

CAUTION NOW WILL PAVE WAY FOR PROSPERITY

William Fellowes Morgan Says Only Time Is Needed for Readjustment

"The Federal Reserve system is continually proving its value in aiding the banks of the country to carry the credit load which business has placed on it, and this system will continue its assistance in connection with the crop moving season which is just ahead. The fact

Copyright N. Y. Tribune, Inc.

The Hunting Season Always Records a Lot of Casualties Besides the Game

that large scale purchasing is slowing down in certain directions and that caution as to future business commitments is increasingly evident is not an unfavorable sign, since it marks a return to the stability of the pre-war period and a definite departure from those abnormal (though often profitable) conditions prevailing subsequent to the war. It is true that the adjustment of prices and costs to a final level of stability is not yet completed, but no sudden cataclysm or panic changes are in sight or are expected.

"All these changes, and others favorable and unfavorable, such as continued slow collections, for example, are but a part of the problem of readjustment which this and all countries must pass through on the road to final stability. Just at the present time we are in the midst of a Summer period with a Presidential campaign just ahead and caution is as always advisable. With the fundamentals assured, however, the well being of the people must reflect itself in prosperous and satisfactory business."

CREDIT VITALITY OF COUNTRY IS FAR FROM IMPAIRED

J. H. Trejoe, Nat'l Assn of Credit Men, Calls Present "Recuperative Period"

"I have great faith in the stability of our commerce and our credit powers. I have every confidence that the proper remedies will relieve present conditions and that we are not by any means permanently or seriously impaired in our credit vitality.

"The American business man is very temperamental. He blows either hot or cold and seldom follows a middle course. Therefore, present conditions have not been interpreted properly, and we have suffered from the repudiation of contracts, the unjustified return of merchandise and a hesitation in buying which have paralyzed some of our industries and caused business to mark time. These conditions will precipitate many liquidations. The liability column was expanded too rapidly in the extravagant period. Its reduction cannot be conducted wth sufficiently good order in all cases to save disaster. These liquidations, however, must be looked upon as a part of the curative process and natural to expect."

TAX INEQUALITIES MIGHT CAUSE VERY BAD TIMES

J. S. Bache Warns Change Must Be Made Soon

"When Congress in enacting the Cummins bill decided that the entire nation, through increased rates, should pay, each one, his fair share of the upkeep of these properties, it enacted a policy, in my opinion, that should apply equally in taxation.

"One could argue that everyone is paying his proportion of the tax burden now, since every component part of the community is a consumer, and all consumption is paying, and paying even in an exaggerated amount, through the excess percentages of profit added on all goods—added in so much greater proportion than the returns received by the Government warrant. But it is only these unfortunate results of this method of general distribution which compel us to stop and seriously regard the final results of the present system, if allowed to continue.

"The very bad times to come under present taxation will be the best argument for the substitution of the sales tax.

"The problem to the farmer is whether he is to pay 40%, as at present, on what he buys, or 1% on what he sells. No merchant or manufacturer can tell at the commencement of his season how much goods he will sell, or how much he will make on the sale of those goods. But he is a poor merchant if he does not contemplate the worst that can happen to him, which is a 40% tax, and he is going to add that amount at the start, so that, no matter what the final result, he will not be the loser."

POSTAL SERVICE BAROMETER SHOWS UNPRECEDENTED PROSPERITY

First Assistant Postmaster General Koons Scouts Business Fears

"The postal service is the best known barometer of business. Any stagnation of business is reflected quicker in the postal service than any other place. Judging by this standard, if any of you are apprehensive of the future of our business prosperity your fears are groundless, as the postal service is having an era of unprecedented prosperity. We transact a money order business of $1,200,000,000; handle and transport 1,250,000,000 pounds of second class mail matter; more than 3,500,000,000 pounds of parcel post and thousands of tons of third class matter each year."

AMERICAN MANUFACTURERS CAN PLAN FOR INCREASED FOREIGN SALES

President Saunders, Amer. Mfrs. Export Assn., Calls Danger Past

"A few months ago there was cause for alarm in industrial conditions. Prices and bank loans were soaring and it seemed to conservative business men that the shock of the war was not over; that we were riding for a fall. Being forewarned the Government, the Federal Reserve banks and the public determined to exert such reasonable pressure as might forestall drastic results. Restrictions of expenditures by the Government, the issue of short term certificates at market rates, the rise in the discount rate at the Federal Reserve banks, and the determination on the part of the public that prices must come down or they would not buy, have resulted in a decided readjustment, which is now going on.

"Bank loans in the Federal Reserve district of New York have declined 213 millions from the peak, which was only about the middle of last June. In New York City the bank loans declined 322 millions from the peak of October, 1919. All Federal Reserve bank loans have declined 45 millions from the peak of February last.

"The latest available index of prices made by the Federal Reserve Bank of New York, by the Bureau of Labor, by Dun's, Bradstreet's, British Statist, French, Italian, Japanese, Canadian and Swedish, will show declines varying from a half per cent (Swedish) to 25% (Japanese). On basic commodities it is safe to say that the decline from the peak of high prices in America has averaged some 8 or 9%. Beginning with leather, silk and textiles the declines have now extended to cotton, wheat, corn and hogs.

"The Bureau of Labor index shows a decline of 2.6% in July over June, the largest declines being in clothing and food.

"Such conditions are encouraging for the future industrial prosperity of America and of its foreign trade. We have maintained an increasing foreign trade against extraordinary adverse conditions. The readjustment, which is now going on, moderately but definitely, should surely encourage American manufacturers to lay plans for a healthy growth of business in foreign markets."

REACTIONS IN FOREIGN EXCHANGE RATES LIKELY THIS YEAR

President Bolinger, National Shawmut Bank, Also Anticipates Higher Money Abroad

"Speaking broadly the financial condition of France, Belgium and Great Britain may be regarded as distinctly favorable. It is true that there was a tendency toward high money rates in England during the early part of this year. Higher rates had also begun to prevail in Belgium during the Spring. In France there has been no marked activity in money rates, and they are, in fact, but slightly higher than normal at the present time. It is readily possible nevertheless to foresee considerbly higher rates for money this fall, not only in Great Britain and Belgium, but also in France.

"The possibility of higher rates of interest is not of itself to be regarded as suggesting any reason for alarm. They will be but a reflection of heavier demands for funds, and in my opinion may be considered as a healthy sign in so far as such increased demand for funds shows increasing industrial and trade activities.

"With regard to foreign exchange rates, it is quite probable that we will find them seeking a much lower point than their present level before the end of the year.

"It is quite natural, of course, to anticipate that a certain decline in exchanges should result from our heavy exports of raw materials to these countries."

—Pease in Newark Eve. News.

To Put Him on His Feet

NATIVE-BORN WORKMEN WILL RAISE LABOR'S EFFICIENCY

President Loomis, of Lehigh Valley, Sees Hope of Greater Esprit de Corps

"The award of the Labor Board, generally satisfactory, has answered the one serious complaint of labor. The splendid esprit de corps of American railroad men, however, still staggers from the body blows it has received. Fortunately, the effect of these blows is wearing off and a sincere effort upon the part of railroad managers to build up the old-time feeling of loyalty to their lines is producing results.

"A great opportunity for ambitious workmen themselves to build up morale within the rank and file would lie in the restoration of the piece-work system, the basis of shop efficiency before government control. While it prevailed the man who had energy and ability had a strong incentive to conscientious labor. It brought him increased earnings over the lazy and inefficient worker. Abandonment of piece work by the railroad administration placed these two men on the same plane. The incentive of the ambitious, active worker was killed; no matter how hard he strove he could earn no more than the indifferent and inefficient fellow at the next machine.

"Fortunately, under our American system of education, the number of ambitious workers with brains must grow, and it is unlikely they will rest content to remain on the same basis with mere time servers. The coming of the time when they will make themselves felt in the union organizations means much to railroad efficiency.

SENTIMENT REFLECTS CAUTIOUS POLICY OF BUSINESS

Federal Reserve Bank of Chicago Reports Waiting Attitude in Trade

"The producer is cautious for the very good reason that mistakes cannot be made in high-priced labor and raw materials without loss both of prestige and profits. Middlemen are cautious because the retailers compelled them so to be. And retailers are taking frequent soundings because they have 'sensed' shoals in the popular purchasing power.

"The buying public—at length instructed on the dangers of spending everything from pay day to pay day—is checking the extravagances which have made bonanzas hitherto for the long line of industries and trades engaged in supplying popular desires and needs, regardless of prices. Therefore, shrewd men of business in all positions are slowing up a little, taking their bearings and trying to find out when, where and how far the heralded drop in prices is going to go. Net result: Caution, a waiting attitude and a certain grim resignation to the inevitable."

Railroads

Bonds and Stocks

Southern Pacific Company

Kruttschnitt Sheds Light on Increasing Oil Production

Output For 1919 Increased 20% Over 1918—With Continuation of Increase and Higher Prices, 1920 Oil Income Should Show Substantial Return on Stock

***By* CHARLES REMINGTON**

FOR the first time since the beginning of the California oil land litigation, Chairman Julius Kruttschnitt, in his report covering the year 1919, comments on Southern Pacific's growing petroleum production, in a paragraph the importance of which seems to have escaped the attention of the commentators.

In one of the most complete and informative railroad reports I have ever read, Mr. Kruttschnitt says:

"Of the increase of $1,926,919.88 in Miscellaneous Operating Income, $1,925,629.63 represents increase in the net operating income of the California Fuel Oil Department, the result, principally, of an increase of 1,418,000 barrels, or 20%, in sales of produced oil, and of an increase of 15.85 cents in the average price per barrel due to an advance of 25 cents a barrel in the price of produced oil which went into effect in May, 1918."

From the foregoing figures of production, it will be seen that, if an increase of 20% represented 1,418,000 barrels, the production in 1918 must have been 7,090,000 barrels, and in 1919 8,508,000 barrels.

This discloses that Southern Pacific's production had fallen even below the estimates. For the year ended June 30, 1918, the California State Mining Bureau estimated the company's output at 8,500,000 barrels, which was too high in view of the figures just issued, as was also the writer's estimate of 7,500,000 barrels for the calendar year 1918.

The decree in favor of Southern Pacific was entered August 28, 1919, so that the company was free to drill for the last four months of the year, but not all the increase of 1,418,000 barrels is assignable to that period nor attributable to the drilling of new wells.

Until after the armistice, it was nearly impossible to obtain drillers in California, but early in 1919 the company was able to assemble a few crews and intensive development took place on a small acreage to which the company held clear titles and not involved in the litigation. This would account for part of the increase.

After it was free to resume drilling, the company centered its efforts for a while on the deepening of old wells, because the greatest increase in production could be obtained in this way with the least expenditure of money and loss of time.

These points are mentioned to show that it would be unsafe to conclude, because the company was able to increase its output 1,418,000 barrels in what might appear to be four months of freedom from restraining orders, that the increase would be three times as great in 1920 measured against 1919.

Production from New Wells

On the other hand, it is not likely that much of the increase came from new wells, as much of the equipment was engaged in deepening old. Moreover, the time necessary to drill a well would bring any new production close to the end of the year and too late to influence greatly the figures of aggregate output. This production, however, will influence the figures for the full twelve months of 1920, in addition to which drilling operations will proceed through this year.

As a basis of calculation, I have estimated the increase in production in 1920 over 1919 at double the increase in 1919 over 1918, or 2,836,000 barrels. This would indicate a production for 1920, on the basis of actual production in 1919 and the estimated increase, of 11,344,000 barrels.

The gross revenue from the 8,508,000 barrels of produced oil in 1919 was $14,033,156 and the net income after taxes $6,244,117. As the Fuel Oil Department, under a new arrangement by the Railroad Administration, did not deal in purchased oil in 1919 except to a very limited extent, these figures represent almost exclusively revenue and income from produced oil. They would indicate an average price of $1.65 a barrel and an average profit of 73 cents a barrel.

On account of the absence of data covering production for earlier years, and the fact that the form of accounting was changed to suit a ruling of the Internal Revenue Department, it is impossible to estimate profits per barrel prior to 1918. In that year, however, they were about 61 cents a barrel. Thus, an increase of 15.85 cents in the average price produced an increase in the average profit of about 12 cents.

California Shortage

The shortage of petroleum in California has been acute for some time, and, from the monthly statistics of production and consumption, it appears that the situation is not improving. Thus, it is impossible to say what prices will prevail before the end of the year. In the early months of 1920 Southern Pacific received a price 25 cents a barrel higher than it received in 1918 and probably about 9 cents higher than it averaged to receive in 1919. Early in 1920 there was an increase of 25 cents and it is almost inevitable that there will be another before the end of 1920.

Meantime, producing costs have not increased in California in proportion to such increases in other parts of the country. In that region there has been no "boom" such as occurred in Texas and Louisiana with the accompanying increase in costs. Moreover, the Pacific Coast, unlike the Atlantic or even the Middle West, is not highly industrialized, with the result that, when war industry subsided, there was little peace industry to take up the slack. It can be concluded, therefore, that the advances in the price of oil have not been wholly absorbed by increased costs.

The increase in average profit in 1919 over 1918 was 12 cents a barrel, and the application of the same increase for 1920 would indicate an average profit of 85 cents a barrel, but the ratio of price increase in 1920 as measured against 1919 has been greater than the ratio of increase in 1919 as measured against the preceding year. I have, therefore, assumed an average profit of 90 cents a barrel for 1920.

The application of this profit to the indicated production for 1920 would show a net income for the California Fuel Oil Department of $10,209,600, or about $3.38 a share from this source alone on the $302,024,900 stock.

While the Interstate Commerce Commission is required to fix rates that will provide 6% on the aggregate railroad investment in any region, and must take into account the cost of fuel as one of the operating expenses, there is no obligation resting on the commission to protect the income of any individual carrier. As a larger consumer than producer of fuel oil, Southern Pacific, therefore, is likely to feel temporarily in its transportation income the effects of high fuel costs, and in that way lose part of the profits it derives as a petroleum producer.—vol. 25, p. 970.

St. Louis Southwestern
Peoria & Eastern
Cleveland, Cincinnati, Chicago & St. Louis

Denver & Rio Grande
Colorado & Southern
Kansas City, Fort Scott & Memphis

Eight Investment Bonds That Are Nearly Certain to Advance in the Next Few Years

A Class of Security That is Selling Too Low Notwithstanding the Prevailing High Yields Offered By All Classes of Investments

By DANA HYDE

WHATEVER one may think about the effect of the tariff increases on railroad stocks in general—and THE MAGAZINE OF WALL STREET has not been among the enthusiasts who believed that the new rate level would straightway put Erie common on an investment basis—there is no doubt that they impart to most railroad bonds a degree of security these issues have not enjoyed in years. There is hardly a shadow of a doubt that they impart to the eight issues herein enumerated all the security that the average investor requires.

Those who have recently viewed with favor the low-priced railroad stocks should bear one thing in mind, namely: It is hardly possible for these stocks to register and sustain a marked advance until such bonds as are described in this article have shown a conspicuous improvement.

The list of bonds is not a haphazard selection based on high yields. There are many railroad bonds that yield a good deal more than these. Of the total weight of consideration given to the subject, 66⅔% has been bestowed on the direction in which the property is moving. What was the result? Interest on every one of these bonds was amply covered by the actual results of operations during Federal control, irrespective of Government rental.

Very short term bonds were rejected because they should not be purchased, regardless of yield, in this kind of a money market. The periods range from 10½ to 31½ years. Even a longer period would be desirable, but security and others factors being equal, it is not possible to obtain at present the same yield from very long term bonds as is shown in this list.

As far as possible, low rate bonds were selected because, in an advancing bond market, those bearing a low rate of interest, other factors being equal, will show the greatest profit. One 5% bond has been chosen on account of its long term, its high yield and the excellent performances and prospects of the issuing company. Of the others, three bear 4½% and four 4%. The Denver & Rio Grande consolidated 4½s were selected in preference to the 4s issued under the same mortgage, because the two bonds are selling out of line.

Brief Descriptions

The available space will not permit of detailed descriptions of all the issues, nor are such descriptions necessary, because all except the Kansas City, Fort Scott & Memphis 4s have been treated at length in THE MAGAZINE OF WALL STREET at various times during the last five months.

The two issues of the St. Louis Southwestern have been placed first and third in the list for reasons that will be found in the number of August 21. The Peoria & Eastern 4s have been placed second on account of the high security they offer, coupled with a comparatively long term and a satisfactory yield. As far as security is concerned, it is the best bond in the list of eight, and may properly absorb a reasonable proportion of the funds of a widow possessing only a small estate.

Some explanation is necessary of the inclusion of two issues of Denver & Rio Grande, because the company is in the hands of a receiver. At no time before or during receivership has this company failed to earn its interest by a large margin, including interest on $50,000,000 bonds junior to those recommended. The receivership was sought by Missouri Pacific to delay the execution of a judgment held by Western Pacific and to protect the stock held by the former company.

A valuation will not sustain the company's property accounts, but will show about $150,000,000. Against this asset are $40,500,000 Denver & Rio Grande first mortgage bonds and $30,250,000 Rio Grande Western first and second mortgage bonds, or a total of $70,750,000, showing a security of more than 200% in the property. Total interest charges on these issues is less than $3,000,000, compared with Federal rental of more than $8,000,000. Interest on all the bonds, including $50,000,000 junior to those recommended, was earned in both years of Federal control on a hypothetical operating basis, while, for the first six months of 1920, the company earned at the annual rate of $6,000,000, or more than the aggregate of fixed charges.

With Western Pacific in control of Denver & Rio Grande, funds will become available for needed additions and betterments and a more conservative financial policy will be followed, with an ultimate readjustment of the funded debt.

Kansas City, Fort Scott & Memphis 4s have been selected in preference to St. Louis-San Francisco prior lien 4s, because, while the term is not so long, the yield is considerably greater. The security in either case is ample.

The position and prospects of Big Four and Colorado & Southern have been discussed several times in recent issues of THE MAGAZINE OF WALL STREET.

EIGHT INVESTMENT BONDS OFFERING EXCEPTIONAL OPPORTUNITIES FOR PROFIT

Bond.	Period.	1920 Range High.	1920 Range Low.	Recent Price.*	Present Yield.
St. Louis Southwestern cons 4s....	12 yrs.	56¼	48⅝	58	10.10
Peoria & Eastern 4s...............	19½	58½	47	57½	8.50
St. Louis Southwestern term 5s....	31½	59	49	57¾	9.10
Rio Grande Western col 4s.........	28½	52	48	49½	8.90
Denver & Rio Grande cons 4½s....	15½	71	62⅞	66	8.50
C. C. C. & St. L., deb. 4½s........	10½	77	69	73½	8.35
K. C., Fort Scott & Memphis 4s....	16	70	56⅞	61	8.50
Colorado & Southern 4½s..........	15	75	66¼	68	8.25

*August 24, 1920.

THE STRENGTH IN ST. LOUIS-SAN FRANCISCO BONDS

In answer to several correspondents seeking to learn why St. Louis-San Francisco income bonds have been advancing more rapidly than the adjustment bonds, it is pointed out that there never was any question about the payment in full of interest on the adjustments while some doubt existed prior to the declaration by the board as to the payment of the full 6% on the incomes. Moreover, the spread in the prices of these two bonds is greater than appears, because the price of the adjustments is carrying only three points while the price of the incomes is carrying six points. Assuming that the two issues carry their present spread of nine points to September 30, they should sell at a spread of 12 points on October 1, because the adjustments will sell "ex" $30 a bond, while the incomes will sell "ex" $60 a bond.

What I Would Do if I Held—

Silver King Stockholders Should Switch Into Canada Copper at About the Same Price—"R" Suggests a Number of Promising Switches in Rail Securities

Silver King of Arizona—

SILVER KING has suffered a steady decline. Its troubles have been largely those of operation and inability to obtain sufficient credit in these difficult times.

Canada Copper, on the other hand, is supported by some of the strongest interests in the mining business, the Hayden-Stone people and the Mayer-Rogers-Ball firm of mining engineers. Its ore reserves amount to 10,000,000 tons classified as "sure" and 2,000,000 considered "probable," of an average grade of 1.74%. Reliable mining engineers estimate that the cost of producing copper at this property should be about 9 cents a pound, which will allow it a good margin of profit even if copper does not go above 19 cents a pound, the present market price.

The mill and smelting equipment are nearly ready for operation, and should be producing copper by the end of September or early October. Their capacity is estimated at 3,000 and 2,000 tons daily, respectively.

The delay in starting operations has lasted some sixteen months. It has been caused by the inability of the Kettle Valley R.R., the Canadian Pacific subsidiary in that region, to complete its 13-mile spur from the station at Princeton, B. C., to the company's property at Copper Mountain. Moreover, the company has not been able to obtain its required power from the West Kootenay Power and Light Co., for lack of sufficient installation.

At the same time depreciation has been going on, a skeleton organization having had to be maintained even though no production was possible, and other operating expenses kept up although the company could derive no income from the sale of copper. As a result, although the mining property is an unusually fine one, it incurred an operating deficit in both 1918 and 1919, and the company recently found itself without funds to meet its obligations, in particular interest charges on its first mortgage bonds, due July 1, 1920. There are $2,500,000 of these bonds outstanding, due 1928 and bearing interest at 6%. In addition the company, to raise working capital and in anticipation of beginning operations early, issued $710,000 by the sale of 6% debentures last year.

The company's ability to finance itself at these comparatively cheap rates in spite of its frankly unseasoned status as a mining proposition indicates the character of the financial backing behind it.

As a result of its present poor cash position, caused by the delay in starting operations, Canada Copper is now putting through a recapitalization, including an assessment of 50 cents a share on the present common, of which there are outstanding 1,087,495 shares, on the basis of one new share for one old. Should any stockholder not wish to pay his assessment, he will receive one share of the new stock for three of the old. As the stock is now selling at about 50 cents a share, he will be behind some 17 cents a share if he refuses to pay his assessment.

Naturally, this financial difficulty has caused the shares of Canada Copper to depreciate marketwise, dropipng from somewhat over $1 a share (the price at the time we first discussed the stock) to present levels of about half that amount. At that time we were impressed by the attractive possibilities of the stock, and we see no reason beyond purely temporary difficulties to make us alter our position.

The commencement of operations at the mine in about a month will give it a real test, and in our opinion will demonstrate that the stock at present prices holds out an unusual opportunity to those interested in mining speculations.

These are some of the reasons why Silver King of Arizona stockholders should switch into Canada Copper with assessment paid.

Those identified with the property expect Canada Copper to sell at several dollars a share eventually. By purchasing some additional shares, Silver King stockholders will probably recover all or the greater part of their losses. The assessment is payable September 1.

Baltimore & Ohio Preferred.—Baltimore & Ohio preferred stock is paying 4% and is limited to that rate. Baltimore & Ohio-Toledo & Cincinnati divisional first lien and refunding bonds of 1959 are also paying 4%. These bonds are secured by a collateral mortgage on the old Cincinnati, Hamilton & Dayton, or such part as was acquired by Baltimore & Ohio, subject to underlying bonds, and they are senior to the Toledo & Cincinnati adjustment 5s owned by Baltimore & Ohio.

The preferred dividend is not as certain as some things in this life, and it is not as certain, among other things, as the interest on these divisional bonds. At the best, Baltimore & Ohio will continue to pay 4% on both securities, but there are 54 points discount to amortize on the bond in the next 39 years—a consideration that does not pertain to the stock. Assuming the company passed the preferred dividend, it would continue payment of the interest on the bond. The worst that could happen would be for the company to pass both payments, but even in that extremely unlikely case a considerable period would probably elapse between the passing of the dividend and the default in interest on the divisional bond.

Both the preferred stock and the T. & C. divisional bonds are selling at 46. I should, therefore, if I held the preferred stock, sell it and purchase these bonds with the proceeds.—R.

Chicago, Milwaukee & St. Paul Preferred.—Chicago, Milwaukee & St. Paul is one of the roads believed by most students of railroad finance to be in a doubtful position. Whatever the future may bring forth, the company today stands weakened for the building of its Puget Sound extension and its electrification scheme. It has $31,449,000 maturities in 1921, $803,000 in 1923, $1,248,000 in 1924 and $48,176,000 in 1925. A part of this period at least is likely to be one of high money rates, and, as most of these bonds bear 4% and none more than 5%, the refunding is nearly certain to add considerably to the company's charges.

The situation is fraught with sufficient difficulties to justify any one in assuming that dividends on either class of stock are not in immediate sight. Long before the company can conservatively declare any dividends, there will be plenty of manifestations of its ability to pay them, and the prices of its bonds must certainly respond to such manifestations. Neither high money rates nor the general railroad situation can account wholly for the present high yields on St. Paul's bonds, and it must be concluded that they reflect in part the weak credit of the company.

The $33,286,000 debenture 4s of 1934 are now secured equally under the general and refunding mortgage. At 56 the yield to maturity is about 9.85%. The preferred stock is selling around 50 and paying nothing. Therefore, I would not continue to carry at 50 the non-dividend stock of a company whose mortgage bonds were selling to give such a high yield, but would switch from the stock to the bonds at a cost of six points.—R.

Transcontinental Oil, Simms Petroleum and **Middle States** are companions in distress in the middle 10s, all selling within negligible fractions of each other. Which is the best at the price? Of the three, Middle States pays dividends and although a bad offender marketwise in recent months has given a good account of itself to original holders, who have had all kinds of dividends, new stock, and excitement and all that. If they did not sell out above 50, I should say they deserve a worse fate. However, Middle States has production, it is a good little company with a naughty market record—which, of course, doesn't spoil the oil any. Simms and Transcontinental also have a hectic flush from past excitement in Wall Street, and here again those who figuratively rode the stocks up as well as down again are rather blaming themselves for failing to seize the opportunity so cash in at very high prices, so obligingly given them by those concerned. It looks to the writer as if Middle States and Simms in the order named are in a position to give the best account of themselves—or should I say, repent for past sins, in shortest order. Both now seem to be in a strong position. Middle States certainly earning very good money and paying a generous dividend on a price below—12.—D.

Industrials

Bonds and Stocks

Some Speculative Preferred Stock Investments

Many Issues Offer Speculative Possibilities Combined with Reasonable Security of Principal—Back Dividends on Some Cumulative Stocks Further Influence Those Issues

By **J. L. CHEATHAM**

In my last article on "The Investment Value of Preferred Stocks" comparisons were made between the value of gilt-edged preferred stocks and bonds in which it was shown that when due consideration was given to the security of principal, stability of income and the direct yield, these preferred stocks were fully the equal of and in some cases superior investments to, bonds of the same general standing.

The one feature lacking in the best grade preferred stocks is the speculative feature, since well-seasoned preferred stocks, like standard and tested bond issues, possess relatively small attractiveness from the speculative point of view.

However, by selecting a company which has either been going through the development stage and has failed to earn or pay all the dividends on its cumulative preferred, or because of the non-cumulative feature of the preferred, or for various other reasons, we can of times secure a preferred stock investment which will not only offer speculative possibilities equal in some cases to that offered by common stocks, but which will also give a fair return on the money and will be reasonably safe from an investment standpoint.

The preferred stocks of even the more speculative types are limited as to dividends except those issues which have a participating privilege. However these latter are rare in the larger and more important companies. Consequently in most cases even the more speculative preferred stocks have not the wide possibilities of the common stock but their fluctuations while not as violent are more easily ascertained and the dividend return on the investment more certain.

Factors That Should Be Studied

In purchasing preferred stocks for their speculative prospects the features that influence the general market for the long-pull, rather than for the immediate future, should be followed. With close study of underlying factors, infinite patience and conservative methods, investments in speculative preferred stocks should be profitable in almost every case. Too much emphasis cannot be placed on the necessity of the investor's keeping up not only with the operations, earnings and management of the company whose stock he owns, but also in keeping up with the underlying factors both in the business world and in security markets. From the earliest times in history there have been regularly recurring periods of great and general prosperity and of great and general depression, and conservative investors have been able to pick out securities which, owing to the general depression, have sold below their actual worth, and in holding them not only have they obtained a regular income but their principal has been increased by reason of the enhancement in value of their securities.

Speculation and investment may be said to emanate from the same motive, namely, the desire for gain; and the difference between them is the difference in the degree of risk voluntarily assumed, thus the gradual dividing line between common stocks, preferred stocks and bonds. The common stock of any concern depends entirely upon the earning power of the company and it has a very direct interest in the growing profits and in the expansion in the value of the equities. Hence it is apt to be more directly affected by declines in profits and shrinkage in equity values, and, conversely, it will respond more readily to large earnings and to prospective increases in dividends.

Common stock is junior to all issues and the holder thereof, as a rule, can only receive what is left after the holders of the other issues have been satisfied—both in the case of assets and in earnings.

The preferred stockholder has, in most cases, prior rights not only to dividends but also to assets, and consequently his risk is less than the holder of the common stock since any decrease in earnings or shrinkage of assets will be first taken from the junior issue to enable the company to meet the provisions of its preferred.

When it is necessary to make extensions to carry out new developments or to increase working capital, the company very often does so at the expense of the common stockholder, either by eliminating entirely or by the reduction of his dividends.

Features of Preferred Stocks

The following will sum up briefly the principal items of interest of preferred stocks:

(a) Safety — Reasonable safety of principal in established concerns since the equities of the common stock are junior to the preferred.

(b) Income—Priority over the common on earnings. Cumulative dividends continuing as obligations ahead of common stock.

(c) Retirement—By sinking fund provisions or by purchase in whole or in part at a stipulated price, thus opening up the possibility of an increased profit by reason of redemption above par.

(d) Prior Issues—Protection of the majority of preferred stockholders by prohibiting the company from issuing bonds or other obligations ahead of the preferred stock without consent of holders of preferred.

(e) Voting Rights—In case of dividends being defaulted the preferred stockholders having the right to vote and in some cases to assume entire control of the company.

(f) Tax Features — Exemptions of dividends from normal Federal income tax and from personal property taxes in most states.

The accompanying table gives a list of some of the speculative preferred stocks. The list is arranged in two sections, the Railroads and the Industrials. In both sections the companies are placed in the order of desirability when both the investment and the speculative value of the issues are taken into consideration.

Chicago, Rock Island & Pacific Ry. Co. was reorganized in 1917 without foreclosure in accordance with a plan dated November 14, 1916. A drastic reduction in fixed charges was made, thus strengthening the company materially. New business has been located along its lines which gives promise of large increase in traffic.

Both classes of preferred share alike in the distribution of assets in case of dissolution and shall be preferred over the common to the extent of par value and accumulated dividends. The 7% preferred has preference over the 6% preferred to the extent of 1% in the dividends declared in any one year, after the payment of which both classes of preferred stock share alike as to further dividends. On both classes the dividends are cumulative up to 5% per annum from July 1, 1917.

Western Pacific Railroad Corporation was incorporated in 1916 and owns all the stock of the Western Pacific R. R. Co. The corporation was successful in its suit against the Denver & Rio Grande R. R. Co. and any cash or securities received as proceeds of the claims against said road may be, at the discretion of the board of directors, distributed in whole or in part pro rata among all the stockholders without

preference or priority in favor of either class of stock.

The preferred is entitled to par and accrued dividends in case of dissolution and is convertible into common par for par.

The company did not sign the Government guarantee and their application for increased compensation is before a board of referees. In addition this is one of the few roads that has no equipment obligations to the Government, since the company had ordered a large amount of equipment for delivery in 1918 and at prices much below those accepted by the Government for account of other roads.

Kansas City Southern Railway Co. was incorporated in 1900 after foreclosure, and since that time has absorbed several railroad companies in its territory. This system extends from Kansas City south via Joplin, Mo., to Port Arthur, Texas, on the Gulf of Mexico, with numerous branches along the route.

The preferred stock is entitled to 4% non-cumulative dividends in any one year over the common stock, and in case of dissolution to receive par value.

Baltimore & Ohio R. R. Co. is an important eastern trunk line system extending from Philadelphia to Chicago and St. Louis. The road was incorporated in 1827 and is one of the oldest organizations in the country. The common dividends have been temporarily suspended because of the need of funds for capital expenditures and for increased expansion.

The preferred stock has preference over the common in any one year to 4% non-cumulative dividends but has no preference as to assets.

Southern Railway Co. was incorporated in 1894 as successor to Richmond & Danville R. R. At present it operates lines in practically all of the Southern States and owns an interest in a number of important lines such as the Alabama Great Southern R. R. and others.

The preferred stock is entitled to non-cumulative dividends at the rate of 5% in any one year. Current year dividends on the preferred have not been acted upon due to confusion in transportation circles.

Industrials, Mining and Petroleum

General Motors Coropration was incorporated in 1916 and acquired the properties of numerous automobile and affiliated concerns. Its extensive expansion program is nearly complete in regard to the absorption of outside competitive companies. However, large appropriations have been made to build new extensions in order to increase the production of existing plants. The company has gone heavily into the development of the farm tractor and this branch of its business is becoming not only an important one but also a very profitable one.

The earnings of the corporation are enormous and the officials expect to do a gross business of a billion dollars in the present year. In spite of the recent transportation tie-up, the company is well up to schedule and all its plants have been working in excess of 75% capacity since the beginning of the year.

The preferred, the 7% debenture and the 6% debenture stocks are all equally preferred over the common as to dividends and are cumulative from their respective dates of issue. In case the corporation is dissolved, the preferred, the 7% debenture and the 6% debenture stocks are entitled to par and accrued dividends on an equal basis.

Goodrich (B. F.) Co. was incorporated in 1912 and it entered into the manufacture and sale of rubber goods of all kinds. The company has branches in over a hundred cities in the United States besides branches in the principal cities of Canada and Europe, together with numerous agencies all over the world.

The management has been developing additional manufacturing facilities which will bring the annual business to $200,000,000 and its business last year was limited only by its ability to turn out the product.

The preferred stock is entitled to 7% cumulative dividends and in case of dissolution or consolidation must be redeemed at 125 and accrued dividends. There is also a 3% sinking fund which has been provided to redeem the preferred at 125 or less.

Tobacco Products Corporation was organized in 1912 and took over concerns manufacturing cigarettes, smoking tobacco and little cigars. Lately the company has gone into the distributing end and has marketed its products with great success.

The earnings for the present year promise to be very satisfactory indeed and the company's finances are on a satisfactory basis. However, in view of the need of working capital at the present time, it was thought best to pay the common dividend in August in scrip.

The preferred stock is entitled to 7% cumulative dividends and is subject to redemption in whole or in part at a price not exceeding 120, and in case of liquidation is to be paid par and accrued dividends.

United States Smelting, Refining & Mining Co. was incorporated in 1906 and the properties owned or controlled consist of a large number of patented and unpatented claims in Utah. These claims are mostly in one block and produce copper, lead, silver, gold and zinc ores. Transportation facilities allow the ore to be delivered conveniently to any of the smelters in Utah. Earnings from silver were quite large last year.

The preferred stock has priority to assets as well as to dividends.

Allis-Chalmers Manufacturing Co. was incorporated in 1913 and manufactures air brakes, compressors, engines, farm tractors, mining machinery and electrical apparatus of various kinds. Company maintains sales agencies in principal foreign countries.

Following the armistice it experienced

LIST OF SPECULATIVE PREFERRED STOCKS

	Percentage of Total Capitalization Represented by Bonds %	Present Annual Dividend Rate %	Average Annual Earnings 1914-1919 %	Average Annual Dividend Rate Since Incorporation %	Back Dividends Due	Number of Shares Sold in 1919	Price Range 1914-1919 Inc Low	Price Range 1914-1919 Inc High	Price Range 1920 Low	Price Range 1920 High	Last Sale up to Aug. 21, 1920	Yield Based on Last Sale %
RAILROADS.												
Chicago, R. I. & Pac. 7%	63	7(a)	11.41	7	none	120,270	44	88	64½	78	74	9.5
" " " " 6%	63	6(a)	10.41	6	none	143,835	35¾	75	54	66½	62½	9.6
Western Pacific	24	6 N.C.	(b)8.09	3	non-cum	33,510	35½	64	54½	67	65	9.2
Kansas City Southern	49	4 N.C.	8.22	2¾	non-cum	19,040	40	65½	40	48½	43¼	9.2
Baltimore & Ohio	69	4 N.C.	17.55	(c)4	non-cum	108,615	38⅛	83¾	40⅝	49⅝	47	8.5
Southern Railway	58	See Text	12.06	(c)3¼	non-cum	128,484	42	85¼	50	62	59¾	—
INDUSTRIALS.												
General Motor, Pref. 6%	nil	6 cum	65.89	6	none	96,037	72¾	95	72½	89¾	75	8.0
" " Deb. 7%	nil	7 cum	(d)	(d)	none	(d)	(d)		79½	93	79½	8.8
" " Deb. 6%	nil	6 cum	65.89	6	none	262,160	82½	94¾	68	85¼	68	8.8
Goodrich (B. F.) Co.	29	7 cum	43.13	7	none	34,250	79⅞	116¾	84	102¾	85½	8.2
Tobacco Products	nil	7 cum	22.50	7	none	74,870	86	120	83½	106	85	8.2
U. S. Smelt., Ref. & Mining ($50.00)	23	7 cum	22.40	7	none	16,830	28	53½	41⅞	47⅝	42½	8.2
Allis-Chalmers Mfg.	nil	7 cum	17.52	6¼	none	49,690	82½	97	70½	92	71	9.9
Cuba Cane Sugar	26	7 cum	15.95	7	none	413,580	60½	100½	75½	85⅞	75½	9.3
Inter. Mercantile Marine	32	6 cum	22.46	3	42%	4,479,255	55¾	128½	70⅝	111⅞	73½	8.2
Amer. Cotton Oil	33	6 N.C.	16.54	5½	non-cum	4,360	78	102¼	65	86	65	9.2
American Can	12	7 cum	16.34	7	none	40,245	80	115¾	87	101	89	7.9
Amer. Hide & Leather	nil	7 cum	12.25	1½	111%	1,877,200	17	142¾	72	122	74½	9.4
California Petroleum	3	7 part cum	12.05	7	none	163,000	29½	86⅝	65	75½	68	10.3
Federal Min. & Smelt	nil	7 cum	(e)5.00	6¼	12%	61,070	25	57½	26¼	44¾	85	20.0

(a) Cumulative up to 5%.
(b) Based on actual operations.
(c) Average for past 20 years.
(d) Not issued until 1920.
(e) System of reporting changed in 1917, hence % earned only approximate.

a sharp decline in demand, but business has improved materially since then. The development of the farm tractor has progressed satisfactorily and its main works at West Allis has been enlarged to accommodate the growth of this branch of the business. All the accumulative dividends on the preferred have been paid off and an initial dividend on the common stock declared.

The preferred stock was entitled to cumulative dividends at the rate of 5% per annum for two years from January 1, 1913, and at the rate of 6% per annum for two years from January 1, 1915, and is entitled to 7% per annum since January 1, 1917. This issue is subject to redemption in whole but not in part at 110 and accrued dividends and has preference as to assets as well as to dividends.

Cuba Cane Sugar Corporation was organized in 1915 to engage in the production, refining and sale of sugar in the island of Cuba. The company owns large tracts of land suitable for growing sugar and also has satisfactory contracts for the purchase of cane from colonos. Its seventeen fully equipped mills have a working capacity of over 4,000,000 bags of sugar per annum, this being the largest output of any single sugar company on the island.

In 1916 the properties of the Stewart Sugar Co. were purchased at a price which caused some discussion. The company has made large expenditures for improvements on its various properties and is steadily improving its manufacturing efficiency. The excellent earnings of the past few years should do much to protect the preferred stockholders and to insure the payment of dividends on the senior issue without interruption.

The preferred stock is entitled to 7% cumulative dividends and no dividends can be paid on the common if such payment would reduce the accumulated surplus below an amount equal to dividends in full for two years on the outstanding preferred. The preferred may be converted into common, share for share; the preferred so converted shall be cancelled.

The International Mercantile Marine Co. is an American corporation, having been incorporated in New Jersey in 1893. It has extensive interests in affiliated companies and the combined sailings cover forty-five distinct services. In addition to the steamers, tugs, floating grain elevators, etc., the company possesses valuable terminal facilities in numerous European and American ports.

During the war the company's earnings were very large. The surplus earned is more than sufficient to pay off the accumulated dividends on the preferred stock. However, since the management needs sufficient working capital for the proposed expansion of business, it has been decided to liquidate these back dividends from time to time out of current earnings. From recent reports the current earnings are very satisfactory and the stockholders who voted against the sale of their properties have been vindicated.

When the company completes its expansion program, it should be able to compete, if need be, with any foreign shipping company. Its facilities are of the best and the service rendered is of the highest type. The officials feel that conditions favor a big expansion in shipping and their company is in a position to take advantage of every opportunity to increase its scope of activities.

At present the accumulated dividends on the preferred amount to 42%. With the liquidation from time to time of these accumulated dividends, the preferred is in a very attractive speculative position.

The preferred stock is entitled to 6% cumulative dividends.

American Cotton Oil Co. was incorporated in 1889 and began paying dividends on its non-cumulative preferred in 1892 and has paid the full 6% without interruption since 1893. The company manufactures and deals in the products of cotton seed and also makes the famous "Gold Dust" washing powder and the "Fairy" and other soaps. The control of numerous companies has been acquired from time to time. Its plants are located in the southern and eastern sections of this country and it has one plant in Canada and another in Holland.

A process for manufacturing paper pulp from cotton fibre has been perfected and this company with one or two others will operate a big plant in Virginia for this purpose.

Company passed the dividend on the common stock August, 1920, until the prices of commodities and general business conditions shall be more nearly normal.

The preferred stock is entitled to 6% non-cumulative dividends and is redeemable at 105.

American Can Co. was incorporated in 1901 as a consolidation of many companies engaged in the manufacture of tin cans, boxes, and containers used for packing. An addition to the plant was made in 1917 for the production of fibre cans and containers.

Domestic and foreign demand for the Company's product is reported fully up to normal and the business for the present year is expected to be up to the usual annual rate of expansion. The supplies for operation are amply sufficient and the management is not worried over the recent transportation tie-up. It is thought that the Government contracts will be completely settled this year so that these adjustments should appear in the present year's earnings.

All accumulated dividends were paid in full in 1917. The preferred stock is preferred as to assets as well as to dividends.

American Hide & Leather Co. was incorporated in 1899 and its business is chiefly the manufacture of all kinds of shoe leather. The aggregate yearly production of the plants is about 75% of the total annual output of the upper leather tanneries in the United States.

It was rumored that renewed efforts were being made to work out a satisfactory plan for the payment of accumulative preferred dividends which amount to about 111%. One of the plans receiving favorable consideration was the issue of second preferred stock to the amount of the back dividends.

Leather prices experienced a slump during the last quarter of the company's fiscal year ending June, 1920, which was the principal cause of the falling off in earnings. Substantial inventories purchased at higher levels were being carried and it was decided to write down these goods to the current market out of the income for the fourth quarter.

The preferred stock is entitled to 7% cumulative dividends in preference over the common stock.

California Petroleum Corporation was incorporated in 1912 as a holding company of several California oil companies. In addition to the California oil fields, it has acquired leases on Texas properties in the vicinity of the new oil fields of that State, and also holds title to undeveloped Mexican properties.

The preferred stock has preference as to assets to the extent of its full par value and accrued dividends but in case of involuntary liquidation is to be paid a premium of 20% over par. This issue is entitled to 7% cumulative dividends and shares pro rata with common in dividends over 7% per annum.

Federal Mining & Smelting Company was incorporated in 1903 and acquired all of the mining properties of several operating companies owning silver-lead mines and claims in Idaho. These mines and claims are estimated to contain over 7,000,000 tons of silver-lead ore.

The company's properties include modern concentrating, pumping, hoisting, compressor and electric plants. Its entire production is sold to the American Smelting & Refining Co. under a contract which terminates in 1930.

If the suit brought against the Hecla Mining Co. should prove that the apex of one of their ore bodies lies in Federal Mining & Smelting Co.'s property, the former will have to pay a large sum for the ore already mined, while the latter would also obtain an important vein.

Company's statements of earnings and their reports do not go into any great detail and it is hard to make comparisons in their earnings from year to year. The value of the property may be increased by the termination of the contract with the Amer. Smelt. & Ref. Co. in 1930.

The preferred stock is entitled to 7% cumulative dividends. The back dividends on this issue amount to about 12%.

STEEL INDUSTRY WELCOMES RATE ADVANCES

"Higher freight rates are welcomed by the iron and steel industry because in them lies hope for the ultimate solution of traffic problems. Probably more thought is being given to obtaining relief from present restrictions than to the fact that about $125,000,000 will be added annually to the cost of steel by the new tariff. While hope is expressed among a number of steel-makers that higher prices of iron and steel can be avoided, it is certain that in the main the increased rates will necessitate advanced quotations."—*Iron Trade Review.*

Is Readjustment an Accomplished Fact in the Leather Industry?

Many Reasons for Believing That Time for a Fresh Start Is Near—Central Leather Has Pared Earnings Down to the Bone

By **JOHN MORROW**

BUSINESS observers are quite accustomed by this time to the readjustment process in many lines of industry, which it is hoped will lead to deflation and restore a stabler and more normal price level without panic.

The first signs of readjustment were heeded by only a few and, generally speaking, found little lasting reflection in stock prices until the development was well under way. For example, in the hide and leather industry the reaction against the unusual pressure of war business conditions really began near the close of 1919, and from that time has continued almost without interruption.

The question now arises as to whether this readjustment is not approaching a basis where a fresh start will be made. No one expects a return to pre-war price levels, nor to pre-war business conditions. But a large part of the abnormality is expected to be removed.

Hide and leather stocks, about which investment and speculative interest center, are the Central Leather Company and American Hide and Leather Company—the first named being the largest dealer in sole leather in the country, and the second the big specialist in upper leather.

Central Leather has had no problems outside of the questions naturally arising from the conduct of the business it represents, but American Hide & Leather has attracted additional attention by reason of the large accumulation of back dividends on the preferred stock. The possibility of the formulation of a plan which would wipe out those claims and readjust the financial structure of the company has been in the foreground the last two years without, however, coming to a head.

At this period of industrial uncertainty and of divided opinion as to the future trend of business, it is important, in the case of the shares of companies like Central Leather and American Hide and Leather, to determine, if possible, whether these stocks have not rather thoroughly discounted changed conditions and whether they may be approaching a purchase point. It might not be exactly accurate to say that the hide and leather industry has been actually demoralized, but it is probably true that the industry has suffered as much as any other industry in the curtailment of the volume of business and in the slump in the prices of raw materials.

The wholesale hide and leather people, naturally, felt this slowing up before the retail merchant was affected, but the resistance of the consumer against the high prices of shoes during the past several months has been passed all through the various branches of the business. The largest part of leather production goes into shoes, and it is the condition of the shoe business that gives, perhaps, the best clue to the condition of the hide and leather industry.

CENTRAL LEATHER

Central Leather, in present corporate form, has been in business since 1905, and has had a varying record in earnings—a record of frequent changes and of rather sudden shifts in fortune. In prewar years earnings on the common stock were averaging under $10 a share yearly, and it was not until 1913 that the company was enabled to institute dividends on the junior shares.

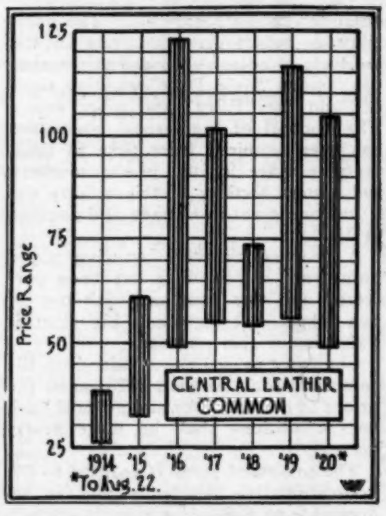


TABLE I.—EARNINGS RECORD CENTRAL LEATHER CO.

	Gross sales	Operating ratio	Net income	$ per share on common
1914	$60,814,903	80.8%	$4,876,924	$6.41
1915	68,917,939	80.3%	6,626,897	10.80
1916	93,247,552	74.8%	15,489,201	33.15
1917	91,731,548	74.0%	14,404,854	30.41
1918	94,147,418	83.6	6,476,435	10.44
1919	118,950,634	79.1	14,288,481	30.12

The five years from 1915 to 1919 inclusive, were the harvest time, when annual average earnings on the junior stock were $23 a share, but even in that period earnings were not quite stable and there were wide fluctuations as evidenced in 1918, when the surplus was less than $11 a share and again in 1915 when surplus was $10.82.

In fixing the status of Central Leather it is quite necessary and important to establish in mind the war record of earnings and the increase in assets. As of December 31, 1914, the company's profit and loss surplus was $7,792,000—not a large total. While not indicating a particularly well fortified position, the company was doing about half the business in dollars that it did in 1919. Working capital was about 90% of gross sales in 1914, compared with a ratio of 75% at the end of 1919. The end of the latter year profit and loss surplus stood at $30,509,274—an increase of $22,716,481 over 1914—equal to approximately $56 a share on the common stock.

During the period under investigation share capitalization remained absolutely unchanged, and bonded debt decreased from $35,000,000 to about $29,000,000, mainly through the operation of the yearly sinking fund. The company, therefore, is one of those which was able to conduct its business well within itself and to meet the great expansion in business without adding to borrowed capital and without taking recourse to funded loans to swing the volume of trade. In fact, if general reports be accepted, Central Leather has been frequently a lender in the short-time money market.

In a situation like this, surplus after dividend and depreciation requirements is, of course, free to be put back into property. Directors took a careful course with regard to dividends on the common stock. The regular rate was quite slowly brought up to 5% yearly, where it stands today, but extra cash dividends were paid so that stockholders received 9% in 1917; 7% in 1918 and 9% in 1919.

But even with these extras total dividends from 1915 to 1919 inclusive, were only 37¼%, against total earnings in that period of $114.94 on the common stock, leaving net addition of $77.69 a share to strengthen the equity position of the stock. The book value of the common stock as of December 31, 1919, was about $176 a share, compared with $120 a share as of December 31, 1914.

At the end of 1919 working capital was $88,704,000, and inventories represented approximately 76% of total current assets. This ratio did not show very much change over the ratio five years previous, but the inventory at the end of 1919, as events have turned out, was an inventory representing raw materials at high prices and just preceded a decided slump in market quotations.

The high point in hide prices appeared in the summer of 1919, and from that point there has been a gradual decline, which was accelerated this year until the low, so far registered in 1920, represented a decline of about 50% in the 1919 year and was only about 25% above the pre-war level of prices. Such statistics indicate plainly enough the extent of the readjustment in the business and rather indicate, in view of known business conditions, a thorough preparation for a new stock. Naturally, the fall in

prices and the slowing up in business were almost immediately reflected in earnings. Incidentally it may be mentioned here that export business which played a very important part in maintaining earnings in 1919 fell off substantially this year, and there are some observers who go so far as to claim that this falling off is more or less of a permanent nature.

Are Current Earnings So Poor?

For the quarter ended March 31, 1920, the company's net income, after taxes, was $1,210,217, and a surplus of only $131,000 was left for preferred and common dividends. The surplus available for the common stock was $1.60 a share, but earnings in the first three months of 1920 were truly surprising, as compared with the results for the second quarter. A deficit of no less than $4,058,076 was reported in the three months ended June 30, 1920, after all dividend payments, and earnings on the common stock were nil. Instead of an operating profit, there was actually an operating loss of $1,375,000.

So far as available records show, this was quite the poorest quarter ever shown by the company. In fact, so poor as to suggest the probability of a thorough cleaning up in inventory position and a determination to put the company's position on a rock bottom basis, even at the complete sacrifice of earnings.

As yet there are no apparent signs of decided change in the hide and leather business, but the company has not hesitated to meet conditions as they developed. While the remainder of the current year may show only mediocre returns, it would seem reasonable to suppose that possible shocks in business have ceased to hold any great discomfiture for the company.

Position of Its Securities

Central Leather has one issue of bonds in the shape of first lien 5s, due April 1, 1925. This issue constitutes a first mortgage on the entire property of the company, and the bonds at the present writing may be purchased around 90, where the yield, as if held to maturity, is attractive. This issue ranks well up among the short-term industrial issues, and there is no reason to doubt its integrity.

The position of the 7% cumulative preferred stock, which has paid dividends regularly since 1905, has, of course, been strengthened by the earnings record during the past five years, and it is an issue to be soundly recommended.

The common stock has sold as high as 104¾ this year and as low as 49½. Around the top there was heavy distribution of inside stock, and indications are that it has not been replaced to any great extent, although the shares showed excellent resisting power just below 50. It is too early to say definitely, that the turning point in the company's business has been reached, and the stock is an outright purchase for the pull, but it seems to be at or near that point. So far there has been no suggestion that the $5 dividend rate is endangered, and that question may hinge to some extent upon the size of earnings during the next half of the current year. The major portion of liquidation in the stock seems to have been already accomplished.

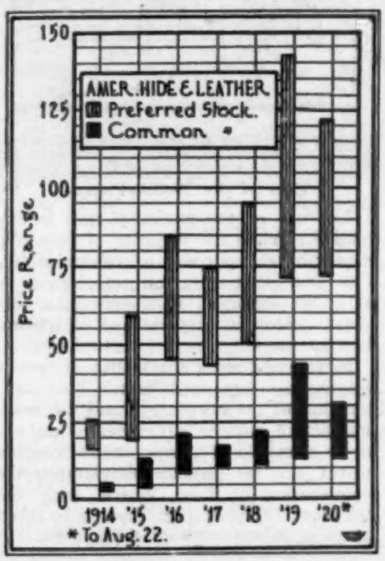
AMERICAN HIDE & LEATHER

While the position of American Hide & Leather has been substantially analogous to that of Central Leather, there has been special reason for particular interest in the preferred shares of the company—a reason based on the large amount of accumulated dividends on the $13,000,000 stock.

The pre-war earnings record of the corporation furnished little enough about which to boast. It would, perhaps, be only necessary to say that accumulated preferred dividends now amount to about 114%, or expressed in dollars, over $14,000,000. The company was incorporated in 1899, and it was not until 1905 that anything at all was paid on the senior stock. After a payment of 3% in that year there were no more distributions until 1916, when the impetus given to the company's business by the war enabled the directors to pay 7½% on the stock. In the four years—1916, 1917, 1918 and 1919—a total of 26% has been paid on the preferred, of which 9% was paid in 1919.

TABLE II.—EARNINGS RECORD AMERICAN HIDE AND LEATHER.

Year June 30	Gross sales	Oper. ratio	Net income	$ Earned on preferred
1914	$17,750,076	94.3%	$107,205	$0.83
1915	19,092,463	90.2	950,954	7.38
1916	23,800,749	88.4	1,648,265	12.64
1917	24,176,824	88.9	1,762,750	13.56
1918	29,454,428	88.2	2,385,613	18.35
1919	28,593,695	87.3	2,695,062	20.73



A great part of the interest in Hide & Leather has centered around the possibility of a readjustment plan which would take care of the dividend accumulation on the senior shares, and two or three serious attempts have been made to evolve a workable scheme. So far, none has been found feasible. Events have proved that 1919 would have been a far better time for a financial readjustment than 1920, and conditions are such now as to warrant a prediction that there is little chance of a financial readjustment in the near future. But the possibility remains and will continue to add to the speculative situation of the preferred stock.

Examination of the earnings record of the company brings satisfaction only when the war period is considered. In the six or seven years prior to 1915 the amount earned on the preferred stock was negligible and indicated little or nothing in the way of a future, but in the five years beginning 1915 and ending June 30, 1919, a total of $72.66 was earned on the preferred stock. For practical purposes it is better to consider only earnings on the senior shares, as the common is far removed from any possible distribution of surplus and will be until the accumulated dividends are taken care of.

As of June 30, 1914, the profit and loss surplus was $3,286,319, which had grown to $9,540,929 on June 30, 1919—an increase of $6,254,610—equal to nearly $50 a share on the preferred.

Low Earnings Delay Readjustment

If earnings had been sustained during the fiscal year ended June 30, 1920, at the rate of the year immediately preceding, perhaps there might have been greater efforts made to put through the financial readjustment plan. The slump in the industry gave the management a problem that took precedence over the financial readjustment plan. The effect of the easing up in business was felt in the last three months in 1919, but became much more severe the first half of 1920, and for the last quarter of the fiscal year ended June 30, 1920, the company reported a deficit of $810,697 before proportioned dividend deductions on the preferred. For the entire year returns on the preferred were $8.81, or $1.71 above the 7% dividend rate.

Ordinarily the second quarter of the fiscal year—that is, the three months from June 30 to September 30—is the most active period, and for that reason returns for that quarter of 1920 will be watched with a great deal of interest.

One point in favor of the fundamental position of the preferred stock has been the elimination of funded debt. Through the operation of the sinking fund the issue of 5% mortgage bonds, due September 1, 1919, had been reduced to $2,500,000. At maturity the bonds were paid up out of surplus, and the company entirely freed of funded debt.

Conclusions

The preferred has had a big break this year, falling 50 points from its high of 122. The issue never has been really considered on the basis of a 7% industrial preferred investment issue. The erratic earnings record, a question of whether war earnings were only temporary and the very important problem of reducing back dividends, all have combined to produce a speculative atmosphere about it. In the low 70s the stock steadied, and the present technical position seems to indicate the possibility that some of the stock sold around 120 is being replaced.

The common, even at 14, is purely a speculative issue, of uncertain possibilities.—Am. Hide & Leather, vol. 25, pp. 574; Cent. Leather, vol. 25, pp. 935.

Famous Players-Lasky Corporation

A Progressive Moving Picture Company

The Largest Concern of Its Kind in the World and the Strongest Financially of Any of the Large Moving Picture Corporations Has Still Further Strengthened Its Commercial Position in Recent Months

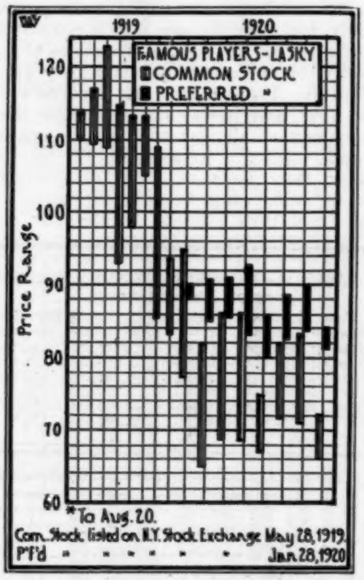
By C. L. JAMES

THE motion-picture industry at its inception appealed to the investing public and numbers of small companies were organized and began operations but most of these concerns were unsuccessful from the investors' standpoint. The rapid changes in methods and equipment, the competition, the need of working capital and the many other difficulties attending the starting of any business, militated against the earning of large profits and against the paying of substantial dividends.

As late as 1915 there were nearly 250 firms and studios registered as film producers. As the scientific operation and management of the moving-picture business began to manifest itself there appeared a tendency toward various combinations of the larger producing companies and the establishment of new combines of branch houses and distributing centers throughout the country.

The present moving-picture industry is the outgrowth of the former chaotic state and has settled into a triplex organization; namely (a) the producers of picture films, (b) the exchanges or distributing middlemen, and (c) the exhibitors.

The difficulties to be overcome in the development of the motion-picture cannot be fully appreciated by anyone outside the industry itself. Indeed, many persons actively engaged in one branch of this stupendous enterprise do not realize the enormous strides made in the past few years. One of the greatest advances is in the actual photographing of the picture. Thousands of small pictures must be taken with such uniformity as to appear one continuous view and must be of such excellence in definition and depth of focus as to be capable of magnification ten thousand times and still be satisfactorily sharp and clear. The successful development of the various equipment used has brought about the present high state of perfection in photography.



Uses of the Motion-Picture

The use of the motion-picture is extensive. While the majority of films are made for the purpose of entertainment, the commercial world utilizes pictures to assist its salesmen, to improve the efficiency among its workers and to educate its customers.

In scientific work the motion-picture is playing an important part. The combination of the microscope and the moving-picture camera has revealed an entirely new field of interest in the invisible world, and for distance photography the combination of this camera with the telephoto lens permits pictures to be taken at great distances from the subject.

In surgery it is used to observe defective or abnormal motions after operations, and the makers of artificial limbs use it to secure the nearest possible counterfeit of the normal movements of sound members.

However, the financial success of the motion-picture, as heretofore, will probably always remain in the field of entertainment. The public is constantly demanding new productions and to meet these requirements the large motion-picture producers are ever increasing their capacity.

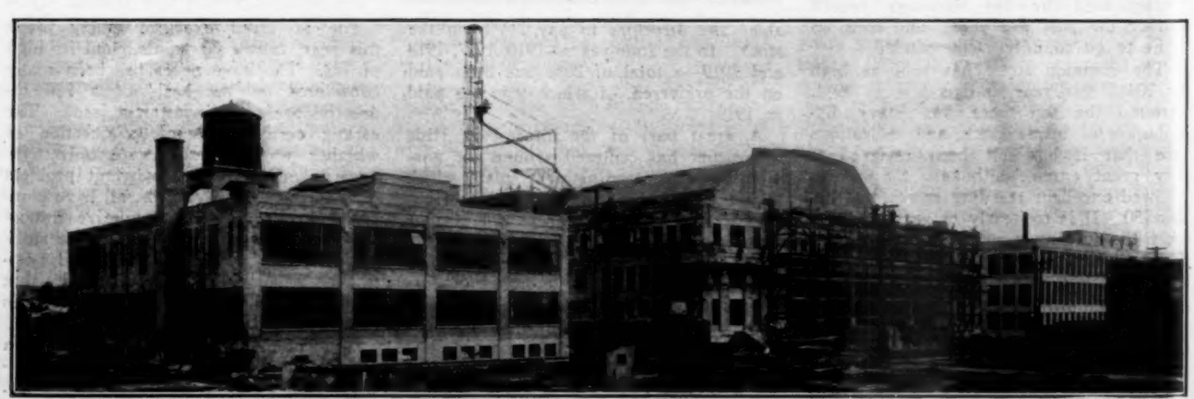
Development of the Motion-Picture Industry

Figures as to the attendance at the picture theatres cannot be given with any great degree of accuracy. The number of small houses is continually dininishing but the constant construction of larger houses tends to keep the seating capacity about the same. As reported for tax purposes, the gross annual income of the moving-picture theatres is well over $250,000,000.

A considerable factor in the business of producing films is the large export trade. Many difficulties have been encountered in this branch due to the recent war but the demand from abroad has steadily increased until now this foreign business totals millions of feet of film each year.

During the development of this industry numerous concerns have appeared before the public, such as the World Film Corporation, Triangle Film Corporation, the Famous Players-Lasky Corporation and many others. While the first two companies mentioned have been prominent in the industry, financially they are not as strong nor have they shown the earning power of the last named corporation.

The World Film Corporation began business in 1914 as a manufacturer and



NEW STUDIO AND LABORATORY OF THE FAMOUS PLAYERS-LASKY CORP. AT LONG ISLAND CITY

distributor of motion-picture films, and at one time operated the largest indoor studios in the United States. In 1919 the directors adopted a plan for readjustment of finances to supply much needed working capital. The company owns valuable rights both in this country and abroad.

The Triangle Film Corporation was incorporated during the following year and under the original arrangement this corporation was affiliated with several producing companies. In 1917 the control of these producing companies was obtained by interchange of securities. Last year the company was not very active in the production of films but derived an appreciable income from its buildings and equipment in the form of rentals and from the distributing end of the business.

These two concerns have not been able to make any large dividend disbursements, in fact neither of them have made more than one or two payments on their common stock.

The only large motion-picture company which has attained a marked degree of success financially and which can be considered established along sound commercial lines is the Famous Players-Lasky Corporation.

History of the Company

The Famous Players-Lasky Corporation is a consolidation of several companies the most prominent of which were known as the Famous Players Film Company and the Jesse L. Lasky Feature Play Company, Inc., both of which were well established producing companies but did not handle directly their own distribution. When this company was incorporated in 1916, it acquired not only the capital stock of the above mentioned companies but after the organization was completed it took over all the stock of the Paramount Pictures Corporation and its subsidiaries, and also the Artcraft Picture Corporation.

The Paramount Pictures Corporation had heretofore handled the distribution of the two principal constituents of the Famous Players-Lasky Corporation and had maintained a series of exchanges and branch offices throughout the country. Through this medium the positive film supplies by the producers were leased and delivered to the exhibitors for use in their respective theatres.

In addition to the above companies the corporation owns or controls by stock ownership a score of other motion-picture or affiliated concerns besides owning valuable real estate and patent rights.

Extensive Development

The Famous Players-Lasky Corporation is engaged in the business of producing and distributing motion-picture films and is the leading corporation of its kind in the world. Not only does the company now distribute its own product but it has the exclusive right to distribute the output of a number of other well known producers.

Its studios are extensive. In Hollywood, California, there are two large studios at which many elaborate and expensive films have been produced. The location is excellent and the natural features have been further improved by the most expert landscape and construction engineers.

The company has other important studios at Fort Lee and in New York City. A new fireproof studio has been recently constructed on Long Island which when finally completed will be the largest of its kind in the world. This new construction together with the new studio now being erected in London by one of the corporation's British affiliations will greatly increase the present capacity and will enable the management to meet the excessive demands which are being made not only by the large domestic but also by the increased foreign trade.

This company is not only the largest producer of films but its distribution is the most extensive of any single concern. In this country alone it is estimated that there are more than 15,000 motion-picture theatres and Famous Players-Lasky Corporation supplies directly or indirectly well over 70%. Its distribution department while complex is well organized and it has in operation branch offices known as film exchanges in twenty-eight of the principal cities of the United States.

Aeroplane view of the Famous Players-Lasky Studio at Hollywood, California

Recent Expansion

A separate selling organization is maintained for the foreign trade and the company has recently become affiliated with a Canadian company whereby they will operate a chain of theatres running across the Dominion of Canada and will have the exclusive rights for first-run exhibition of the Famous Players-Lasky films for twenty years.

The corporation's European expansion should be greatly favored by the affiliations recently made with European capitalists. It is reported that this company has recently established new producing companies in Europe which involve extensive commitments by foreign investors. By these arrangements its productions will be shown in over three thousand theatres abroad.

This new expansion both at home and abroad should increase the present production of film fully 300 per cent.

It is also reported that connections have been made with Asiatic interests but not on such a broad scale nor to such a large extent as in Europe.

Another strategic move was the acquisition of Charles Frohman, Inc., a theatrical producing company. While this new company will be operated in association with the motion-picture business, it will be kept as an independent enterprise. This purchase should secure excellent material for the production of motion-pictures, since Charles Frohman, Inc., has under contract some of the foremost talent in America.

Capitalization

The company's authorized capitalization consists of $20,000,000 8% cumulative preferred, par $100; and 450,000 shares of common stock of no par value; of these amounts there is outstanding $10,000,000 preferred and 214,227 shares common stock. There is no direct funded debt, but there was outstanding at the beginning of the present fiscal year $310,500 of the preferred stock of Charles Frohman, Inc., which is not owned by Famous Players-Lasky Corporation.

The preferred stock was issued in November, 1919, and the initial dividend of 2% was declared in the following January for the period Nov. 28, 1919, to Feb. 1, 1920. This preferred stock has provision for a 3% cumulative sinking fund beginning 1920, which shall be applied annually to the purchase and redemption of this preferred at $120 per share or less. In addition to the cumulative and the sinking fund provisions the preferred also has a conversion privilege.

The common stock has no par value and the dividends in dollars per share have totaled $15.50 from organization to the beginning of the present fiscal year, or an average of about $4.50 per share per year. The present annual dividend rate is $8.00 per share on the common stock.

Earning Power

Motion-picture companies as a rule have shown irregular earnings. Heretofore it has been largely due to the newness of the industry and the survival of the fittest. The expenses while heavy are not what is generally supposed. The enormous salaries often reported paid to stars are largely for advertising features and it is doubtful whether any producing company could maintain such huge expenditures. However the building up of the industry, the enormous expansion programs and the extensive advertising have been a severe drain on working capital and earnings.

The present talent employed by this corporation contains the leading artists in motion-picture production. Either by direct production or by exclusive right of distribution it controls the pictures of almost all of the famous actors and actresses, and as a consequence its pictures appeal very strongly to the public,

thereby increasing the demand for Famous Players-Lasky productions.

This company in common with other producers and distributors was adversely affected by the war; profits fell off until in 1918, when the influenza epidemic further reduced earnings, it was obliged to suspend dividends on its common stock. Not only was its foreign trade hampered because of the war but the building of new theatres was greatly reduced by the restrictions in this country.

Upon the signing of the armistice conditions immediately began to improve and now the corporation is piling up profits at a rate which, for the present year, promises to be greater than any time in its history.

In the fiscal year 1919 the gross revenue of the company had increased to $27,165,327 as against $18,048,433 for the previous year and the net income after allowing for Federal taxes amounted to $3,109,226 in 1919, while only $899,877 was actually earned in the previous year. The above profits last year, after deducting $66,667 for the preferred dividends for the thirty days of its issue, show earnings of $15.29 per share on the common stock then outstanding.

The report for the first quarter shows the company to be earning at the rate of over $4,000,000 for the present year. After deducting $800,000 for the preferred dividends, the balance available for the common stock should be almost $15 per share.

Assets Behind the Stock

From the consolidated balance sheet of last year the net quick assets, or working capital, amounts to $14,330,731. If to this amount is added the property and plant account of $4,096,258 (which represents land, buildings, plants and equipment together with scenarios, rights, costumes and properties) we have a grand total of $18,426,989, which represents the net tangible assets of the corporation exclusive of its investments in affiliated companies and good-will. This gives only a little over $42 per share as the book value of the common stock.

In the above property and plant account is included the equity of subsidiary companies in lands and buildings subject to mortgages thereon of $3,755,000.

The good-will of $7,655,680 has a great deal of value in a concern of this kind and should add something to the assets behind the common stock.

Conclusion

The company has shown itself able to make a good return on its invested capital and its common as well as its preferred stocks should have speculative possibilities.

The extensive expansion planned by the management while tending to ultimately increase profits will require considerable amount of working capital and for this reason if for no other the dividends on the common stock should be conserved.

The preferred is well backed up by assets and the earning power of the company appears to be sufficient to more than cover all dividend demands of this issue There is no direct funded debt and as a consequence this issue has prior lien on assets. This 8% cumulative preferred should prove an attractive investment and anyone who cares to hold his stock should not only secure an attractive return on his money but also on enhancement in value in the not distant future if earnings are maintained at anything near the present rate.

A heavy distribution of the common stock was made above par and the recent decline should have dislodged some weak holders of this issue. However there has appeared a tendency toward accumulation around the 70 level or under.

The fact that the net tangible assets of the common are only about $42 per share places this junior issue more in the speculative than in the investment class of securities, and unless the earnings and dividend payments are abnormally large and well established not many stocks sell much above their book value based on net tangible assets. Consequently, at present, this common stock should be viewed more in the light of a speculation than an investment and should be traded in rather than held until larger equities are built up behind this issue or until the earning capacity of the company has been tested a little longer.—vol. 25, p. 852.

Deflation in Woolen Industry Still to be Reached

(Continued from page 603)

pyramided on to final cost to consumer. They are more stable than profits, however, take a longer time to go up and a correspondingly longer time to come down, and no appreciable reduction can be expected in this element of cost before signs of a general drop in the cost of living are apparent, or before industry slows down to such an extent in this country that the "technical position" of labor is impaired and a surplus of labor drives wages down.

For the present, however, the situation is one of inactivity, though the finer grades of wool are in stronger position than the lower grades, because the demand for them is holding up better. Export channels might be looked to to relieve us of some of the surplus, but there has never been an export market of consequence for our raw wool, and in our attempts to get a firm footing for our export trade in woolens abroad, we have to meet the increasing competition of England, which has dominated the export business for years.

European production is scarcely as yet at the point where it constitutes a serious threat to the domestic sales of woolens and clothing manufacturers, but in view of the traditional protectionist policy of the woolen trade, it is not unlikely that any attempts will be made to provide against possible future competition with European manufacturers by the erection of a tariff wall.

One feature of the situation in woolens which will indicate the stagnation of the industry is that the buying season, which is usually well under way by this time as regards commitments for next Spring and Summer, has not begun as we write and probably will not begin till about the first week of September. The leading woolen interest, whose shutdown of its plants on July 10, was a public announcement of the weakness in the industry, is not known to have reopened its plants and does not plan to do so on any extended scale until it receives enough orders from manufacturers to assure it of sufficient business to enable the plants to run at a profit. When it reopens, it will have the pick of the year's clip, as there is little buying as yet. Not much can be expected of the Government sales of surplus stocks of wool, left over from the time when the Government commandeered the clips of 1917 and 1918 for military purposes. The best of the Government surplus has already been sold, and what is left is mostly of the lower and lowest grades, for which there is even less demand than for the average run of woolens. Their largest channel of absorption is in the carpet industry, but this is inadequate to the supply.

The point of view has been expressed that by the cutting down of manufacturing and spinning operations, semi-finished stocks have been brought down to a point where any great buying movement by distributers will start prices up again, but in view of the large unsold supplies of raw wool it is unlikely that this attitude will prevail. About the only bright spot is the continuing strength of the London markets, at least compared with ours, but indications are that weakness will be shown even there as sales are said to be declining because consumers think prices are excessive.

While dogmatic prediction in such a complicated situation is absurd, it does not seem too much to say that deflation has not apparently run its course in the woolen industry, that the outlook is for a continued decline in prices, and that profits will probably decline, in the near future, faster than any other elements of the cost of clothing.

GROWING DEMAND FOR MACHINERY

In six years' time the exports of American machinery have trebled in value. In 1913 the total exports of machinery were valued at $127,980,000, while in 1919 they reached a total value of $378,425,000. That the total in the latter year was not greater was due to the urgent home demands for machinery of almost every description, which limited the amount available for export. One large manufacturer declared recently that his foreign orders for the first six months of the present year were more than 60% greater than during the same period last year.

This tremendous increase in the demand for American machinery may be traced to three causes: (1) the world-wide need of labor-saving machinery, (2) the adaptability of American machinery for almost every purpose and, (3) its low cost, due to American methods of quantity production.—*The World's Markets*, published by R. G. Dun & Co.

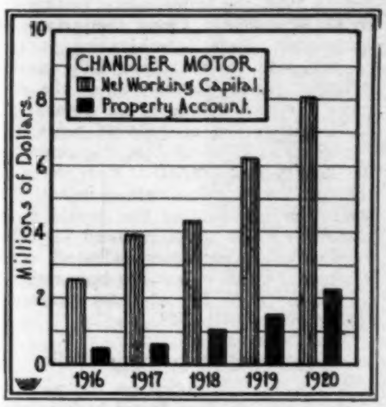
Chandler Motor Car Co.

A Remarkable Record of Cumulative Expansion

Increased Production and Increased Profits Per Car Behind Chandler's Success—New Subsidiary's Record Almost Equally Striking

***By* ELI S. BLAIR**

ONE of the most spectacular of all the spectacular market moves of last year was made by Chandler Motor Car, which advanced from 103 in January of last year to 367 in October.



The stock has since sold at levels equivalent to over $494 a share for the old stock.

Granting that much of the advance was due to overdone speculative enthusiasm, a solid foundation for this activity actually existed in the company's remarkable achievements.

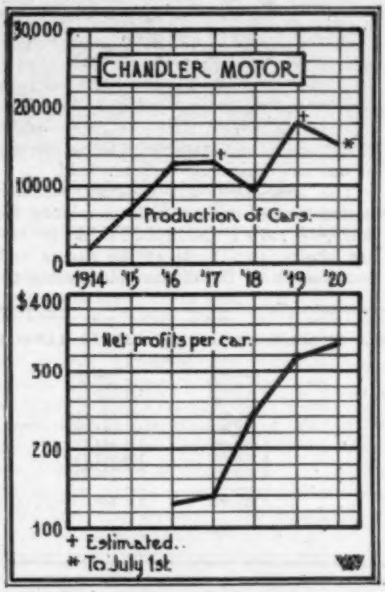
The attached graphs show that the company has had an uninterrupted growth, with the exception of 1918, when its producing facilities were temporarily turned to war-time needs. Of even more interest, perhaps, is the fact that as the number of cars increased, the net profits per car increased also, partly because of higher prices, but to much greater extent because of greater manufacturing efficiency, due to a larger scale of operations.

The company was organized in its present form in 1915, before the really big boom of recent years, and though it carries an item of $5,000,000 on its balance-sheet for "good will," the company has spent so much on advertising, and the reputation of the car is so well established, that this item may be said to represent values that are real, if intangible. The company's only output is passenger cars, except for a small tractor plant, completed in 1918 for Government orders.

In February of last year, the company organized the Cleveland Automobile Co., with a capitalization of $1,400,000 of 8% preferred stock and 14,000 shares of common stock of no par value. This company was to make a smaller and cheaper car than the Chandler, but was to be managed by the same interests, and competition with the older car was to be avoided.

Stockholders of the Chandler Motor Car Co. received the right to subscribe to 20 shares of the preferred stock of the new company at par of $100 for every 100 Chandler shares held, and were given 4 shares of the common as bonus with each 20 of preferred.

For a new company, the Cleveland Automobile Co. has been a startling success. Its estimated output for 1920 is expected to be 25,000 cars, with orders for 30,000 said to be outstanding some time ago. Marketwise the shares made an astonishing record, selling up as high as $1,100 a share before the company was recapitalized. Early this year an arrangement was approved whereby twenty shares of new stock were issued for one share of the old



Cleveland stock, and the new stock sold at about 70. The basis for this is the earnings, which are conservatively estimated at some $4,000,000, amounting to some $14 or $16 a share on the new stock under the recapitalization.

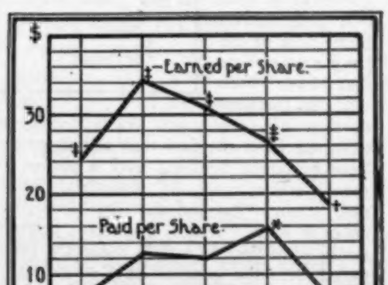
A man who bought outright 100 shares of Chandler Motors in January at 103, held on until the new stock sold at 164 a share, and subscribed to Cleveland Motors and sold out the recapitalized common stock of the subsidiary at 70, would have made the tidy little profit of $44,600 on an investment of $10,300 in slightly over a year.

Expansion of Assets

With the increase in production of Chandler cars has come an increase in the property account, the rate of increase being accelerated with successive years, more than doubling every two years. The value of the Cleveland subsidiary is only dimly indicated by the item of "investment in subsidiary companies," carried at $978,750 in June of this year, compared with $32,000 at the end of 1916. As the company is earning more than four times its value as carried on Chandler's books, its real value is probably more than enough to wipe out the "good-will" carried at $5,000,000.

The company's inventories are the largest in its history, amounting to over $6,000,000, compared with a previous record of $4,302,784 at the end of 1919. Cash on hand is also unusually high, at the end of June of this year totalling nearly $4,500,000, compared with $66,541 at the end of 1919, and between $630,000 and $700,000 at the end of each of the two preceding years. Customers' accounts also show a surprising increase to over $1,000,000 at the end of June from about $118,000 at the end of 1919 and 1918. The steady growth of working capital is one of the strongest features of the company, as shown by the accompanying figures.

All these data indicate a healthy growth, particularly as there has been no new financing since the incorporation of the present company except for the flotation of the Cleveland company, which turned out to be enormously successful. The whole expansion has been financed out of earnings, and in addition the company is in a very strong position as to liquid assets. Its large inventories render it temporarily unaffected by transportation difficulties,



or at least able to tide production over until traffic conditions improve. Its investment in Liberty bonds, amounting at the end of June to over $1,500,000,

(*Continued on page* 630)

Gillette Safety Razor Co. *American Safety Razor Corp*

The Economic Aspects of a Close Shave

Comparison of the Two Dominating Corporations in the Safety-Razor Field—Effects of the War—Outlook For Foreign Business

By MAX GOLDSTEIN

THE history of the safety-razor business is one of uninterrupted progress, with the peak apparently not yet in sight. The war brought no diminution of prosperity, for the military authorities felt that American soldiers should go to the front with a song of victory on their lips, not a three days' growth. Accordingly the Government ordered huge quantities of safety razors and blades from all the leading manufacturers, so that for all of them 1918 was the year of greatest sales to date. As the companies had no changes to make in their production methods except to increase their facilities, this new business was all "velvet."

By introducing the safety-razor to many who might not have come in contact with it except for the army, the companies to some extent laid the basis for a future increased business, more especially in blades. It is one of the features of the business that more profits are made on the sale of blades than on the razors proper, so that the large replacement business in blades is of a highly desirable nature. The prosperity of a well-managed razor company is therefore cumulative, as each year's sales of razors paves the way for an increased business in blades.

On the producing side, it may be assumed that all the companies discussed in this article have larger facilities than demanded by present business, as their actual output for 1918 ran from 50% to 100% above their next best year, 1919. Some idea of the improvements that have been made in the production of razors and blades may be gathered from the fact that selling prices have remained constant over a period of years, while costs of materials, labor, new construction and the like have gone up over 100%. Hence a constant price is really equivalent to a 50% reduction compared with the general level of prices.

COMPARISON OF SALES BY LEADING SAFETY RAZOR COMPANIES.

Year.	Gillette Razors.	Gillette Blades.	American Safety Razors.	American Safety Blades.
1913	397,504	41,376,252	706,270	23,682,287
1914	350,765	52,969,836	625,668	28,154,435
1915	451,861	71,137,404	939,253	35,288,141
1916	762,028	85,841,592	1,299,363	51,967,207
1917	1,094,122	115,428,360	1,561,319	57,824,233
1918	4,580,987	154,747,416	3,108,858	95,636,296
1919	2,315,892	207,846,204	*2,000,000	*105,000,000
Total	9,973,219	729,347,064	10,240,781	397,552,529

*Estimated.

The export market for American safety-razors has always existed to some extent, but here again the war had a most beneficial effect in introducing the American type of razor, not to say the American type of clean shave, to Europe.

This will tend to remove further the day when the question of "saturation point" is raised, as in the case of automobiles. While undoubtedly there is some such theoretical point, in practice it seems likely that as time progresses the point would move further and further on, with increased population and foreign buying. In any case, only the production of razors would be affected, the more profitable part of the business, the blades, being by the nature of the case subject to a perpetually-renewed demand.

The industry, to some extent, is subject to seasonal fluctuations, the peak of the demand coming in the latter third of the year. Much of this is due to the choice of shaving materials as holiday gifts.

GILLETTE SAFETY RAZOR CO.

The attached figures of sales show sufficiently well the growth of Gillette's business in the last eight years. Information as to the affairs of the company is rather scanty, as its stock is inactive and closely held. It has been a very successful company, particularly since its reorganization in 1917. At that time the company was recapitalized with $6,000,000 of 6% convertible notes, maturing in 1922, and 190,000 shares of capital stock, sold at $80 a share, which have since been as high as $200. Early this year the company raised working capital to finance its expansion program by offering to stockholders 25,000 additional shares at $100, rights being offered at one new share for each ten held.

The company's war contracts, mostly consummated during 1918, amounted to 3,479,472 razors and 3,002,355 dozen extra blades, two-thirds of the razors and one-fourth of the blades sold during the year. The company's profits on this business were less, proportionately and absolutely, than on its regular civilian business, as is shown by the fact that earnings for 1919, on smaller sales of razors and blades, were larger than for 1918.

That the company has been preparing for a larger volume of business than even its 1918 record, perhaps, is indicated by a study of the balance-sheet. Between 1918 and 1919 its property account was increased from $1,720,424 to $2,650,744, while machinery and tools at the same time went up to $3,211,494 from $1,848,385. Accounts receivable and items payable both show an increase, the former from $1,290,053 to $1,782,872 and the latter from $1,712,238 to $3,595,284, while cash at the same time shows a decline from $1,580,809 to $310,070.

These are the typical ear-marks of a condition where a business is growing faster than its capital, and would have permitted a prediction that new financing would be needed to help handle the growing business.

In spite of increasing costs and practically stationary prices, profits per share have gone up steadily, from $4,603,782 in 1917 to $5,252,136 in 1918 and $6,025,350 in 1919, the latter figure amounting to $27.38 a share. Direct comparison in dollars per share is misleading as the capitalization varied substantially in the different years. Conversion of the 6% notes has been adding to the amount of stock outstanding at different times, although it is believed that the company has bought up $3,000,000 of these notes in the open market, thus cutting in half the strain on its resources that would have come when the notes matured in 1922. Between these purchases and stock conversions the entire issue has been retired, as against $5,265,500 of notes outstanding at the end of 1918.

Management's Conservative Policy

A conservative policy on the part of the management is reflected both in this wiping-out of the funded debt and the reduction in the book-value of patents from $12,002,307 in 1918 to $9,000,000 in 1919. The basic patents for the Gillette razor are said to be among the broadest ever granted by the Patent Office at Washington, and their value as intangible assets has been demonstrated by the earning power developed by the common.

The company has also brought its holdings of investments up from $4,418,130 at the end of 1918 to $7,982,065 in 1919. Working capital has declined markedly from $4,469,586 at the end of 1918 to $1,738,546 in 1919, or $8.20 a share, because of the shrinkage in cash and the increase of accounts payable, but inventories have been held constant, and substantial growth has been shown in property, equipment and investments, as well as the retirement of the entire note issue.

An inkling of what the company intends to do in the way of enlarging its foreign business is given by an order recently transmitted by its English manager for 300,000 razors and 3,000,000 dozen extra blades. In France some difficulty might have been anticipated because of recent restrictive legislation aimed at imports, but the company's warehouse stocks are believed to be sufficient for two years. The company has branches, in addition to London and Paris, at Copenhagen, Madrid, Milan, Brussels and Amsterdam.

Recent developments have all been favorable to the company. It has been successful in two law suits, one involving its blade patents, and the other contesting a tax which the British Government attempted to levy. The company's new line of razors, the "Big Fellow," is said to have been unexpectedly well received, orders in three months after the introduction of the new style amounting to 100,000 razors.

Sales are said to be running at the annual rate of about 2,160,000 razors and recent additions to the company's Boston plant are believed to give it a capacity of 27,000,000 dozen blades a year. Earnings are said to be running at the highest rate in the company's history, as the production is still at a point where increased volume of output means a larger proportional return on the investment and per unit of product.

Including the recent issue of stock, the company's capitalization consists of 237,000 shares of stock of $100 par value, with no preferred stock or funded debt coming ahead of it. Asset value per share amounts to $115, which is something below its market price. It is earning something like 20% of the market price, however, in a staple line of business, with the best part of the year still to come, and foreign sales developing. The regular dividend rate is $10 a share, but at the last dividend declaration an extra $1 was added, which may well be maintained. It may be regarded as a good semi-investment stock, whose comparatively low yield is made up for by prospects for increased dividends.

AMERICAN SAFETY RAZOR CORPORATION

The company as such dates back only to July of last year, when it was incorporated to acquire the [illegible] a number of [illegible] the three manufacturing the Star, Ever-Ready and Gem brands of razors retailing at a dollar. The company has no serious competition in its own line of razors, as it is estimated to produce 85% of the world's output of this type of instrument.

It is a question, however, whether this maintenance of a fixed price has been borne by the company as successfully as by the Gillette company. Unofficial estimates state that out of the dollar paid by the consumer, forty cents goes to the dealer, and of the remaining sixty cents, fully thirty is spent on the box, leaving thirty to meet the expenses of manufacture, etc. Under these conditions, it is said that the razors are being sold at a loss, the company figuring on making its profits out of the sale of blades.

As the accompanying figures show, however, American Safety Razor sells a much smaller proportion of blades to each razor than Gillette, in spite of the fact that the latter's blades have two cutting edges to one for the A.S.R. blades. Intrinsically, therefore, the nature of A.S.R.'s business is probably less profitable than Gillette's, in addition to the fact that as it is a cheaper product, the tendency for a self-shaver is to replace his discarded dollar razor by a Gillette.

Photo Brown Bros.

GILLETTE RAZORS IN CHINA

Manufacturing a popular article, the Gillette Co. has created a world-wide demand for its product through the activity of its advertising and sales departments

The distribution methods of the company differ markedly from those of Gillette. Where the latter owns its sales depots, the dollar razors are distributed through chains of drug and tobacco stores, and more recently through the Times Square Auto Supply Co. This gives somewhat wider channels of distribution, but imposes additional selling costs on the standard-priced razor.

The company is so young that little can be deduced from a study of the record of the present corporation. We note that of its three main predecessors, only the old American Safety Razor Co., which produced the Ever-Ready, paid dividends, amounting to 7% on the preferred and 4% on the common from 1915 to 1918, when it paid 39%. This does not look so well for the other companies, now subsidiaries of the new A.S.R., but it is expected that a great improvement in manufacturing efficiency because of the larger scale of operations, and the interchange of what were hitherto trade secrets may help.

Production Equal to Gillette's

Its estimated production for 1920 is nearly the same as Gillette's for razors, some 2,000,000, and 125,000,000. In addition, the company expects to make 1,200,000 brushes and 2,000,000 soap units. It manufactures cosmetics on a small scale through its subsidiary, the Lillian Russell's Own Toilet Preparations, and owns its Brooklyn factory at Johnson and Jay streets through a real estate holding company.

Earnings per share for three and a half months last year were 87 cents, or at the rate of some $3.00 annually, with no allowance for the fact that the period covered included the busiest part of the year. If this rate can be maintained, dividends should eventually be possible at the rate of $1 or perhaps $2 a share, but no great margin of earnings comparable with Gillette's would be shown.

It may not be putting it too strongly to say that the capitalization is somewhat of a heavy burden, considering that a total of $20,000,000 of stock was issued to take over securities of a total par value of about $1,538,150, none of which except the old American Safety Razor Co., had ever paid dividends. Of the 800,000 shares of $25 par value outstanding, 400,000 represent property and good-will, the latter and other intangibles being carried at $7,370,308 on the present company's balance-sheet.

The stock is fairly active on the New York Stock Exchange, where it has suffered a notable decline to present prices about 13. So far as can be seen at present, it has little other than a speculative merit, and even that is doubtful, in view of the large amount of stock outstanding.

IS LABOR MORE EFFICIENT?

Contrary to the impression prevailing generally among employers, says the Liberty National Bank, the findings of the Industrial Bureau of the Merchants Association of New York, as a result of a recent investigation, are to the effect that there has been in the past nine months a notable increase in efficiency.

In September, 1919, as a result of a similar investigation it was reported that in general labor was not more than 70 per cent efficient.

The Chairman of the United States Steel Corporation, on the eve of his recent departure for Europe, stated in a newspaper interview that there was noteworthy increase in efficiency among steel workers.

On the other side, and, it is believed, conforming to the experience of most employers, are the figures recently given by a vice-president of the Pennsylvania Railroad to the effect that while total freight and passenger traffic on that road had increased 18 per cent, to handle it required 31 per cent more men and 129 per cent more dollars in wages. In car repairs there has been a reduction of 34 per cent (as compared to 1915) in the production per man per hour, while the efficiency of track labor has decreased more than 40 per cent.

Building Your Future Income

The Fourteen Obstacles to Successful Investment—Impatience

PATIENCE is one of those virtues, which, in investing, as in any other business, must be applied and taken with moderation. The degree of its use must depend on circumstances.

It stands to reason that the investor must study to discriminate between mere idleness and impulsive action. Sometimes it is idle folly to be patient; a case in point being the investors who were very patient with Erie, New Haven, Missouri Kansas & Texas, hoping that their enforced "patience" might turn into very good judgment eventually. It is much better to lose one's temper about matters of this kind.

"Thus far will I go and no farther" is a good yardstick in matters of buying, holding and selling securities. A rather shrewd observer gave this advice: Decide now how long you will hold, when you will sell, what you will do if it goes up, and how you will act if it goes down.

The best time to be patient is *before you act at all.* The virtue of patience is not capable of abuse before the event. It can only be overdone afterwards.

The best application of exercising patience is seen in the prudent man or woman with a new opportunity—or an alleged opportunity. Does he or she experience heart-beats and thrills on the anticipation of what to do with the profits that seem so imminent? This is the time to put on the brakes. You can always buy: you cannot always sell. It is always easier to buy than to sell almost anything in this world. Nowhere is this more true than in the security market.

The Spaniard says "Mañana" meaning tomorrow: which is contrary to the old schooldays slogan about not putting things off till the morrow. We believe many a dollar will be saved by taking another look around, and waiting till tomorrow, and even the next day. This applies very forcibly to investments.

So far as new enterprises and promotions are concerned *it should be a creed.*

Never bite into a promotion while it is hot. It will burn your tongue and destroy your pocket-book. Let it cool off. As a rule, promotions are dishes that taste better ice-cold or warmed up. Be patient.

IF, contrary, to your judgment, arguments are presented showing that you are losing a golden opportunity by waiting another hour or day, you have the legitimate right to become sceptical. On this occasion, be impatient.

You see, it is all a matter of judgment. Patience and impatience must be practised until it becomes a habit to use the one or the other on the right occasion.

Having used infinite patience in investigating a security, an investment, a new proposition: having devoted more patience to checking it up through experts: and then having decided to buy and hold, you are entitled to become patient to the point of boring yourself in your determination to see it through.

If a thing is wrong radically, no amount of waiting will cure it. To stand by indefinitely merely shows faith or unfounded hope rather than good reasoning. To those who misapply this virtue it would seem like sacrilege to say that "Katy common" is a poor investment although the holder paid $50 a share and intends to stick and see it through.

The manifestations of impatience are mostly seen in the wriggles and twists of the market when it enters the broad swing up or down. All the ups and downs represent the sentiment of hundreds of thousands of people, the majority of whom are very impatient indeed. We've said before that the majority do not win out. Therefore, be very patient.

When the market turned in 1917 it continued its upward course till the beginning of November, 1919. The entire swing took over eighty weeks to reach its greatest height. That was a long wait during twenty months to make a lot of money. So impatient were the majority of people that for over thirty weeks decided declines were shown at various times—the majority of declines due to impatience. Think over the result of being extremely patient during the period, no matter where you decided to take a hand!

It took that 1917 market about twenty weeks to get started. The investment market is a tremendously big engine, and the load is colossal. It takes a lot of time to get steam up. What's the use of standing round the platform fussing and fuming and wondering why it doesn't move faster. Having booked your reservations, reserved your Pullman, and made yourself cosy, why not give the engine a chance?

The correct thing to look out for is the probable direction of the big engine. If you cannot decide: consult others who know more than you do. If you get a correct opinion, or one you believe sound, give it a chance to work out. Your impatience means nothing to the driver or the passengers: and if she backs down a little, it may mean reserving the steam power, or a better running start.

WHEN investments seem low, prices and yields satisfactory and fundamentals *not too bad* (fundamentals are never as rosy as the buyer would like them) and when you feel really discouraged about buying—that is the psychological moment to go in, and muster all your reserve powers of patience. This is the time to hang on with a bull-dog grip. This is the time when each further wave of pessimism: each setback should cause you to imitate the bull-dog, give it a firmer grip and shakeup, straddle your legs and hang on.

The time to get thoroughly impatient comes when everyone agrees that "fundamentals" are absolutely and positively all right for the next long trip. When everybody you meet is buying U. S. Steel and trotting out its book value of hundreds per share, when the clerk at the corner store passes along the good word that General Motors is going to increase the dividend, and declare a bonus of 100% in stock: when you are sure that Erie is also going to declare a stock dividend, and Missouri, Kansas & Texas segregates its oil holdings and distributes concealed assets: this is the psychological moment to become thoroughly impatient, go to the nearest telephone booth and converse firmly with your broker. The conversation should be short and precise, namely: "Sell at the market."

If you are a specvester and take an interest in fluctuations, keep the curb reis very strongly on yourself. You will make more eventually by keeping cool. It is better in these circumstances to lose money, rather than your temper and patience. A few losses will sober your judgment and make you cautious. Impatience must be entirely cured before you go any further.

If the least doubt exists, better wait rather than act on the false judgment and confusion that impatience generates.

What Does That Mean?

Terms and Provisions the New Investor Finds Puzzling, With a Few Hints Regarding the Safe-keeping of Securities

Inventories

IT is surprising how large a number of investors fail to regularly inventory their holdings. The careless error is illustrated time and again when executors, opening up the strong boxes of deceased testators, find a large proportion of certificates that cannot be sold for love or money. It also explains why so many people, basking in a false assurance of affluence, when forced to take account of stock discover an alarming shrinkage in their negotiable assets.

It is just as necessary for an investor to take an inventory of his security holdings from time to time as it is for a merchant to take account of his stock or a housewife to "clean house" at set times during the year. It is particularly important when mining, oil and other highly speculative issues are among the holdings.

The inventory should be taken regularly and not spasmodically. During periods when the market is fluctuating widely, the inventory should occur more frequently.

Simply to make a list of the issues held and to note their prevailing market prices is not enough, however. The list should be carefully analyzed and sent to experts if necessary. In this way, weak issues may be weeded out and replaced with more substantial ones. The process may cost a few dollars, to be sure; but the saving on the other hand may run into thousands.

A loss on one depreciated security may easily eat up the profits on any number of good ones.

Get out your certificates *now* and make them prove whether or not they are earning their keep.

Cent-a-Day Interest

There is a certain class of bonds in this country upon which the owner can figure his earnings daily, without mathematical calculation or brain fatigue. Such bonds are not particularly numerous, but they are in existence. They are known as "3.65s."

The owner of a $100 bond of this type knows that there are 365 days in the year and that his bond pays him $3.65 in annual interest. Therefore his earnings are exactly one cent a day.

For holders of these bonds the arrival of Leap Year is momentous, as their earning capacity takes a day's vacation.

The District of Columbia has a number of these bonds in circulation.

The Redeemable Clause

Many beginners in the investment field misapprehend the usage of the word "redeemable," as applied to securities marketed, or to be marketed, by corporations. For example, the X Y Z company offers its preferred stock with a condition that the stock "is redeemable at 110, with dividends, on sixty days notice, on September 1, 1921, or thereafter."

This does not mean that the corporation has promised to buy the stock in on that date at that price. It merely indicates that the company *may,* if its earnings warrant and directors so choose, retire the stock at that figure and on that date. As a rule this proviso should not be considered seriously in deciding whether or not to buy a particular stock.

The redemption clause is inserted in the issue conditions of a very large number of reputable corporations. But it likewise appears in the issues of an equally large number of companies which will never be able to redeem their stock at 10, not to speak of 110.

Dividend Accumulations

Experienced investors are today making a study of the preferred stocks of corporations which are behind in their dividends, especially where the issue conditions describe the stocks as being "cumulative." Briefly, this provision means that, where the stated dividends on a preferred issue have not been paid regularly, the arrearages accumulate and must eventually be paid before any dividends can be disbursed on the common shares.

There are some cases where such "back dividends" have accumulated to as high as 65%. Such large accumulations, however, are the exception and not the rule. The average delinquency is between 6% and 15%.

Analysis of the stocks with dividends in arrears is usually made with an eye to determining whether the company has a fair chance of paying up the accumulation. Very often, the fact that the company is behind on its payments has had the effect of depreciating the market value of its shares to a point far below their intrinsic worth, which gives an added incentive for selecting the "good ones" in the group.

A wise selection in this class, bought outright and put away for a time, will not only yield the investor the back dividends due but will also yield him a handsome profit in the form of an increased price for the stock, certain to result from its again attaining a stable dividend basis.

Safety First

There is an inclination among income builders of all classes to lean toward the purchase of securities for investment purely on the basis of the high interest rate offered and without regard for the actual assets behind the offerings. It is not a fault, in itself, to aspire to the highest rate of income possible in investments, but it becomes a fault when the Simon-pure investor becomes a speculator for the sake of a point or so in his annual interest receipts.

It has become almost a rule, not the exception, for intending investors to request "bonds or preferred stocks that pay 8% or 9%." It is true that money now brings a higher return and that some meritorious bonds and preferred stocks have been put out for as high as 8%; but such issues are few in number and their market price has been advanced to conform with the abnormally high rate.

The investor should not pass over the bonds and preferred stocks that seem undesirable merely because they pay only 4%, 4½%, 5% or 6%. Instead, he should examine into the real basic value of these issues very carefully and also determine their present market prices. If the assets of such securities show safety, it will be found that when, later, the inevitable balance is struck, these "insignificant" issues will, by an increase in market value, pay the purchaser much more than the coveted "8% or 9%."

A LEGIBLE SIGNATURE

It is a common practice to make one's signature as illegible as possible. This is particularly practiced in business, and instead of being an asset is a costly liability. It is all very well, from the writer's point of view, to inscribe his "John Henry" in a fancy and intricate style, but how about the recipient of the letter?

Perhaps the writer is trying to sell some article or attempting to build up his trade. An attractive proposition is made in the letter and it appeals to the person receiving it. A favorable response is dictated to and written by the stenographer, who, when she comes to the signature, can't make out who the letter is from. Neither can anyone else in the office. The result is that the answer or the order finally goes into the discard.

Had the signature been plain, it would have accomplished the purpose for which the letter had been written. The amount of correspondence that is unanswered for this reason is enormous and the financial loss exceedingly large.

Double assurance of having your signature read is obtained by having the stenographer type it, just below your signed name, on the letter.

FIGURING THE YIELD

The custom of figuring bond yields still continues to confuse the many. If it confuses you, forget the yield part and figure just where you come out if you buy a bond.

Assume that you buy a $1,000 bond at 90, paying 7% interest. The corporation is going to pay you $35 every six months or $70 for the year. But you only paid $900 for the bond, so that if you figure 7% on the money actually invested, you credit your interest account for the year with $63. That leaves you a surplus of $7 Very well, if you are poor at fractions just put the $7 in your surplus account and leave it there.

Of course the bond is gradually going to creep to par. Suppose—and it is not beyond the range of probability—it does this in a year's time and you cash in. You get back your $900. Then you have your 7% interest of $63. In addition to that you have the difference in the value of the bond that you bought at $900 and sold for $1,000. This makes your principal and interest account $963 and your profit account $100 or your bank account at the end of a year $1,063, as against $900 when you started.

A Minister Shows the Way to Financial Independence

Suggests an Attractive Plan Which Seems Bound to Help Him Reach the Goal

Our "Success" discussions and stories published under BUILDING YOUR FUTURE INCOME are based upon correspondence that comes into our mails in the ordinary course of business. They reveal a remarkable interest in our work from persons in every walk of life. More gratifying to us is the enthusiasm of the growing class of investors of moderate means, who are benefitting in financial education as well as in their systematic efforts that we are endeavoring to mould in the right direction. This makes for a nation of intelligent investors. The army of American Income Builders is growing: there is ample room for recruits.

THE writer is a minister, now a little past fifty years of age, with an income of about $5,000 a year. Because of two or three unfortunate "investments" of earlier years, and the heavy expense of rearing and educating a family of five children, he has not attained "financial independence at fifty," though his has been a very frugal and well-managed home. But of course the desirability of such independence, whether reached at fifty or at some later date, is very clearly—and sometimes very painfully—recognized. When the middle of the afternoon has passed, the thoughtful traveler wishes to know how it will fare with him when the night has come; and he feels infinitely more comfortable if he is certain of a place to sleep and plenty to eat.

So many times has the writer seen members of his calling who were too old to labor spending their final years in distressful poverty, that the approaching day of his own retirement from active service has become almost a nightmare. So the subject of "'Financial Independence at Fifty,' *or Beyond*," has recently been in his thought almost as much as the subject of his next sermon; and he has felt wholly justified in devoting not a little time and confining most of his reading for the past year to a field that is supposed to lie outside of a minister's sphere of thinking. There are doubtless others who will be glad to catch a glimpse of sunshine in the western sky as they look towards the close of life's day.

A book on fundamental business conditions, written by one of the country's experts, was put into my hands one day. It opened a new world to me—the world of business, investment, and speculation. The study of a dozen other books followed; likewise subscriptions to several financial magazines. The study has been fascinating; whether it has been profitable remains to be seen; but it has at least given me new hope and a plan for "financial independence."

I have learned about the "tidal swings" in the securities markets, corresponding to the periods of prosperity and depression in the financial world. I have learned that these "cycles" cover an average period of about three years, and learned that standard securities, in each of these cycles as far back as we have records, have made price "swings" averaging more than twenty-five points.

I learned that it is not only possible, but easy, to tell the phase of the markets at any given time, since fundamental conditions give indisputable and unfailing information. And I have learned that shrewd business men, endowed with common-sense, faith in America, and a maximum of patience, have made big fortunes by quietly using these very facts which have come to my knowledge thus late in life.

Query: Why can't a preacher, a doctor, a teacher, a merchant, or a farmer, reach that coveted goal of "financial independence" by following the same method of the successful men *who buy securities when they are intrinsically cheap and sell them when they are intrinsically dear?*

THE LETTER THAT CAME WITH THE STORY

Aug. 16, 1920.

The Magazine of Wall Street.
Gentlemen:

Enclosed is a little story. It was suggested by reading "Financial Independence at Fifty." I have been greatly interested in those articles, especially in their graphs and tabulations. But I have seen nothing worked out just like the table which I give, showing the astounding possibilities in the "Long-Pull Method of Speculation." I am a novice at finance, but judging from all the records which I have studied, it seems to me that my estimates are reasonable. If there is a weak place in the plan I would be glad to have it exposed. "Clericus."

HOW THE MINISTER'S PLAN WORKS OUT.

1920,	200 shs. stock at $50	$10,000.00
1923,	Profit on 200 shs. at 25 points	5,000.00
	Dividends on $10,000 at 6% for 18 months	900.00
	Int. on $15,000 at 4% for 18 months	900.00
	Savings, 3 years, 1920-1923	2,000.00
	Total (to buy 376 shs. at $50)	$18,800.00
1926,	Profit on 376 shs. at 25 points	9,400.00
	Dividends (18 months)	
	Int. (18 months)	
	Savings, 3 years, total	5,384.00
	Total (to buy 671 shs. at $50)	$33,584.00
1929,	Profits	16,775.00
	Income and savings	8,044.00
	Total, (to buy 1,168 shs. at $50)	$58,403.00
1932,	Total, (to buy 2,002 shs. at $50)	$101,115.00
1935,	Total, (to buy 3,403 shs. at $50)	$170,172.00
1938,	Total, (to buy 5,757 shs. at $50)	$287.887.00
1941,	Final total in 21 years	$485,628.00

Well, here is at least one preacher who is going to try this plan! Right now! Statistics and fundamental conditions show that *rails* are now selling at panic levels, and far below their intrinsic value. It is just as certain as anything human can be that they will swing to the other extreme some day; just *when* doesn't particularly matter. I can buy 200 shares, divided among a dozen roads, and paying an average of 6% dividend on the whole lot, with my $10,000, the average cost being $50 a share. I propose to keep them until the "tidal swing" has carried them to levels above their intrinsic value; then they will be sold, the money placed on deposit and in short-time securities, and these liquid funds held ready for other "bargains" when the time comes. And I plan simply to keep on repeating this process, not worrying about the minor fluctuations of the markets, but "buying cheap and selling dear."

Of course there is nothing new in all this. The writer is inclined to believe, however, that there are many men, engrossed in other lines of work, who are overlooking the surest way to secure financial independence at fifty, or beyond. He also believes that the average man will be amazed, as he was himself, with the results. In the table herewith I have figured the way in which it works out; and even though the actualities may not show up as well as the figures, if the writer lives for twenty years he is certain that the coveted goal will have been reached.

The figures in the table are based on the following:

(1) All stocks are bought outright. (2) Trades are completed once in three years, on an average. (3) Stocks are held for an average of 18 months in each three-year period, and yield 6% on capital. (4) Capital held on deposit and in short-term securities an average of 18 months in each three-year period, yielding 4% interest. (5) Savings are estimated at $2,000 for each three-year period. (6) Average profit of 25 points is figured. (7) Average price of stock, $50.

It looks "too good to be true," but unless precedents regarding "tidal swings" are unreliable there can be no doubt about the amazing possibilities wrapped up in this plan. As the writer views it the method, while speculative, is wholly legitimate; indeed, the man who holds his funds ready to buy in time of depression or panic is rendering a distinct service in that he helps to steady the market and check the panic. The plan need not interfere with other lines of work, and needs only capital for the start, the help of experts who have nothing to sell except advice, patience to wait, and sense enough not to "go with the crowd." It does not involve the buying of "cats and dogs," but holds to seasoned securities. Is it too late to make the start at fifty? We'll see. We are making the venture, believing that finan-

cial independence at seventy is vastly better than none at all.

Your weak spot is the $50 a share average price to pay for "seasoned" dividend-payers.

We would call your plan a methodical variation of that described by *A Specialist in Panics* in "Fourteen Methods of Operating in the Stock Market" published by us. While it is not new fundamentally there is the added novelty of increasing capital and profits by systematic saving, and starting all over again more fortified than ever. Hence the astounding results shown.

Compound interest plays a considerable part in your plan, and the compounding of profits plus interest is not ordinarily pursued by investors and speculators. In a way, the big interests do it almost unconsciously, but their consistent success leads to the belief that the background of the big fortunes must be some such plan as you suggest. Perhaps their methods are not so "unconscious" after all?

We find your reasoning to be quite sound in spite of the Aladdin-like growth of the figures. The only possible grounds on which issue might be taken is:

(a) That the needed expert advice as to the stocks to buy and the time to buy may be wrong.

(b) That you cannot always buy $50 seasoned securities.

(c) That the swing upward may take much longer than you have provided for.

As to (a): Thereoretically you cannot go wrong, buying outright, into seasoned securities, dividend payers, at or near the bottom of the major cycle. In practice, you might buy too soon, thus losing the advantage of gaining the maximum profit, or even 25 points. Secondly, your corporation might reduce or pass the dividend for some part of the needed three-year operation.

However, you would probably not have much risk, nor spoil your plan if you bought such stocks as Southern Pacific, Union Pacific, or Chesapeake & Ohio, which have some of the qualifications needed. They sell above $50, however. In the industrials you could now choose such issues as American Smelting, Anaconda and others with safety as to intrinsic values, low price, reasonable assurance as to dividends, and ultimate advances. There is nothing sure in Wall Street, and the writer would not like to guarantee their dividends: but ordinary reasoning reassures us.

As to (c): The railroads were as low, and even lower in 1917 than they are now, in several instances. You would not have had the opportunity of turning over your investment at a 50% profit if you had purchased during December, 1917, when the low points were reached. Twenty-five-point advances have been the exception. Yet your time period for this theoretical trade still has four months to run and there is no telling where the rails will sell in December, 1920. The odds, so far, have been against you.

We have singled out the rails because you have selected them.

While you might have to hold longer than three years in some cases, this is offset by the possibility of making some excellent "in-between" speculative-investment purchases at the bottom of the minor cycles, as for example, in the beginning of 1918, and again in 1919—in which latter year we ran into the biggest bull market in history within a few months. The closing of the New York Stock Exchange in 1914 gave an excellent opportunity to cash in under your plan, either in 1915, 1916 or 1919. The swing upward in this period would have given far more than 25 points profit, which might also offset a period of long waiting, and prior disappointment.

By all means go in for your plan as you have outlined it to us. We would not place the entire fund into one basket, so to speak, although the rails from the larger and longer viewpoint give excellent promise.

At this writing, some of the industrials are getting down to bargain levels. You would naturally select dividend payers with a satisfactory record, that have declined to a zone where they seem as safe as common stocks can well be.

We could name very many that we like for this plan (except for the $50 a share limitation), for instance, the three above, together with such issues as Texas Company, United Retail Stores, Woolworth, American Sugar Refining, National Lead, Virginia-Carolina Chemical, Utah Copper, Republic Steel, American Tobacco, U. S. Alcohol (not in the whiskey business, we hasten to assure you), Westinghouse Electric, General Electric, American Locomotive, etc. We would hesitate to select this as the proper time to buy, but have no hesitation whatever in indorsing the character of these and similar issues that would become real bargains at somewhat lower figures, and accumulated in odd lots, about 5 or 10 points apart on the way down. If a thing is good and cheap at 100, it's much more attractive at 80 and 60.

It requires considerable work, such as you are putting in: courage, patience, and determination to get final results. Ministers possess these qualities, and it does not surprise us that you see fit to hold up the light for the benefit of others who cannot see so well.

"Go to it" with confidence, even if you can't get the $50 kind or the final $485,628. Your plan will help you and your fellows. We hope its publication may lead others along the road to independence, no matter at what age. The man of seventy with a cool half-million behind him should feel twenty years younger—which would not discredit "Financial Independence at Fifty."—Editor.

A Home-Building Problem

B. Y. F. I. Department

Gentlemen:—I would like to ask a few question of your Building Your Future Income Department, which I have been considering for the past few months.

Do you think it is desirable at this time or will be within the coming year, for a man in my position, to *consider the purchase of a house?* I earn about $3,000 per year from salary, and have about $5,000 invested in securities which bring me a return of about 7%. I am married, have one child 7 months old, and am paying monthly rent now of $57.50, which may possibly be increased next May when my lease expires.

If I should consider purchasing a home, how much should I figure in investing?

Would it be possible for you to furnish me with a budget, which you may have already worked showing what amount should be expended for the various expenses of a household, e.g. for rent, food, clothing, etc.

It seems to me that I should be able to save some money, but the H. C. L. seems to be getting it all at present.

Thanking you in anticipation of a reply, I am,

Very truly yours, H. L. H.

In the last issue of the Magazine you will find an article concerning home buying and home building. The article gives the cost of construction, etc. Its costs and maintenance come within the range of your income.

You should be able to build the type of house described, at a saving over the estimate.

If you do not wish to build just now, another plan would be for you to buy a ready-built home in fair condition, and take your time in decorating, repainting, and improving generally. That is what we have done, and the result has exceeded our best expectations. You could pay $1,000 or more down and the rest on mortgage. You could pay off $500 yearly in reduction of interest and capital on the mortgage.

You will probably tell us that you cannot save $500 yearly in spite of the wiping out of the rental item. We wish to say "You *must* save it." We say this deliberately and earnestly. The writer figures that 20% is the minimum one should save from salary, which in your case would be $600. We are letting you down lightly with $500.

How shall you do it? Did you read our editorial about the message to Garcia? You have to carry your message to Garcia; to place yourself and family where you will belong eventually, and it is worth any amount of sacrifice to pare down every item of expense to do it. If you were disabled or in hard luck and only earned $2,500 or less, you would still live to tell the tale five years hence. Therefore, forget about the extra $500 you are getting until you have bought your house and reduced the mortgage by about $2,500.

Keeping budgets is a good pastime, and very appealing to honest, sensible womenfolk possessed with a real desire to see their husband get on in the world. A small book ruled off in columns and expense items checked off will show the way to increasing economies without decreasing efficiency. With your own home on a little 50 x 100 plot you can get a lot of fun, exercise, health and economy by growing vegetables that will make a material saving in food, summer and winter. You could keep a few chickens and save more money. It's the old tale of "where there's a will there's a way."

An Ideal Investment

Combining Chance to Save as Well as Increase Idle Funds

By **A. V. CARKHUFF**

THE average American is today vitally interested in bettering himself financially and in securing an investment that will provide a sure income in the future. He is interested in building a fortune and in accumulating sufficient funds whereby at a certain time in life he can lay aside the burdens and responsibilities of business, relax, and enjoy his old age.

To do this he must be successful financially. Financial success depends upon the grasping of opportunity. It begins primarily with Saving. "A penny saved is a penny earned"—is a wise proverb. Saving is the cutting of the stone from the quarry. Investment is the placing of the stones together in the building of "Fortune."

In every case, financial success requires wise investment as well as saving. One wise investment is better than a lifetime of saving. Some men save—some spend. Too many men are today spending all they earn. It is this improvident man living from day to day, making no provision for the future, who brings about such conditions as we see illustrations of every day in our city courts and in the help wanted columns of our daily newspapers. Old men arrested for vagrancy, poor widows endeavoring to find some means to make their livelihood.

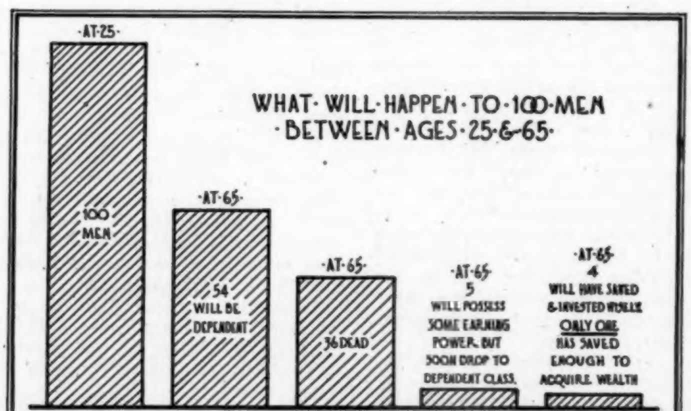
This class of men when they reach a non-productive age and their earning capacity ceases, becomes dependent upon others and, in turn, because of that dependency, make it much harder for others to provide for their own future. If they die during their productive years their widows and families are left without the means of support and become dependent upon charity. We have no worry for the man of thrift and prudence who, through persistent saving, provides for the future, because when the days of adversity come he has resources of his own to fall back on.

What to do with a few thousand dollars is not so much of a problem. The greater problem is what to do with ten dollars regularly saved from salary or income. Dr. Frank Crane says, "The cure for the unthrift of our nation is to make it simple and easy to invest small amounts of money." Few men realize how small amounts regularly saved and compounded with interest grow. Some men need to be almost forced to put aside a fund against old age. It is the man who spends all, saves nothing, who today is the apostle of the creed that all men shall share alike. You cannot eat your cake and have it too.

Statistics prove that of every group of one hundred men at age 25, 36 will die before they reach the age of 65, 54 will be dependent on friends, relatives or charity for support, 5 will possess some earning power but soon drop to the dependent class, 4 will have saved and invested wisely during their earning period and will have investments producing incomes sufficient to keep them in comfort. One only has saved and invested wisely enough to acquire wealth.

THIS is the first of a number of articles relative to Life Insurance and its place in the field of saving and investment. The advice of our staff is free to our readers. Any information relative to Life Insurance will be gladly furnished upon receipt of stamped envelope with your inquiry, or through the medium of these columns.

It is my desire in a series of articles, of which this is the first, to deal with this group of 100 men entering upon the productive period of their lives at age 25. The majority of these men are dependent entirely upon salary and have no funds to invest. Some—if in business—have their money tied up in that business. Others—in professional walks of life—have spent considerable in securing their education and are now engaged in building up a practice. As a whole, they have no funds to invest.



For this group we must find a place to put their surplus earnings that will combine saving and investment. No get-rich-quick schemes, but simply a business that is absolutely secure, permanent, honestly and ably managed, into which they can invest a small amount yearly from their earnings. Life insurance is the safest and most permanent business on earth; it comes under state supervision and has assets equal to any institution known. Not only does Life Insurance provide the safest and best method for saving and investment, but it affords other benefits and gives certain protection that is vital to every man in our group and must be considered.

No investment with only a relatively small amount paid in will provide an income for his family if he dies, save Life Insurance. No other investment under the same conditions will provide an income for him now and for him or his family in later years, should he become disabled and unable to continue his earning capacity. No other investment will create and guarantee to his estate today what he hoped to accumulate in the future. And no other investment with these guarantees during his productive years will pay him sufficient income to keep him in comfort for the remainder of his life after he reaches a certain age.

In no other case can a man make an investment permitting him for periods ranging from 50 to 40 years to retain all but a small percentage of the full amount, making only a small deposit each year and having the guarantee that, should he die, the unpaid portion of his contract will be added to that which he has paid and the full amount paid to his family.

The greatest argument in favor of Life Insurance as an investment is its absolute safety. Life Insurance never depreciates, which is more than we can say of other investments, even Government bonds. Also there is the element of quick marketability, the surrender and loan value making it possible to convert into cash without delay.

Life insurance companies today are recognized as the equals, if not the superiors, of any other financial institutions, being less greedy, more competently and honestly managed than other businesses. The element of speculation is entirely removed.

Life Insurance is truly altruistic, yet it is an out and out business proposition. Viewed from a purely selfish standpoint, it pays unusually big dividends, not only in money return and security, but in the needed protection and benefits it affords

Public Utilities

Bonds and Stocks

People's Gas Light & Coke Co. | *Laclede Gas Light Co.*

Western Gas Companies Survive on Meagre Fare

People's Gas Granted Temporary 35% Rate Increase—Company May "Break Even" in 1920 —Laclede Gas Earns Small Surplus—Outlook for Dividends Dubious

By OWEN ELY

PEOPLE'S GAS of Chicago, incorporated in 1855, had an excellent earnings record up to the time when increased costs blasted the prosperity of so many utilities companies. It is true that the 8% dividend rate of 1914-15 allowed only a small margin of safety, but the company had a comfortable surplus and was under the able guidance of Samuel Insull. In 1915 the book value of the stock stood at $136, working capital averaged one-third of gross revenues, and the stock sold at an average price of 115, to yield about 7%.

In 1916 the approaching storm was indicated by the barometer of operating costs, which had steadily averaged about 60% of revenue during the previous six years, but then rose to over 66%. In the two following years the ratios were 82% and 87.7%, resulting in deficits after payment of fixed charges. By 1919, however, the management had the situation somewhat in hand, the operating ratio was reduced to 82.5% and a small surplus was earned. Dividends had been abandoned in November, 1917, and it is probable that some time must elapse before they can be resumed.

The company has made the usual strenuous fight to increase its charges—with the usual indifferent success. In 1917, by a dicker with the city authorities, it was allowed to eliminate the candle-power standard for its product, and reduce costs by building a coal gas plant, the price per thousand feet being reduced, however, from 80c to 70c (with lower rates fixed on a quantity scale).

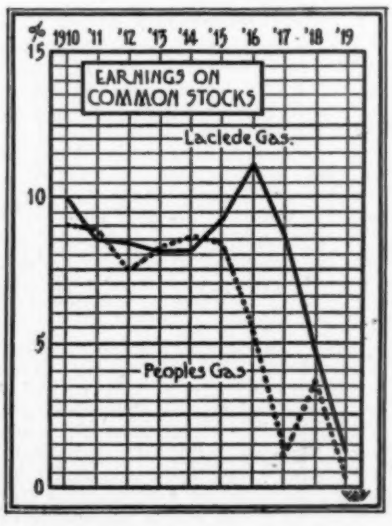
In 1918 the company petitioned the Public Utilities Commission for a 27½% increase in rates, which was allowed, and in 1919 a further increase of 6% was requested. As a result of opposition by the municipal authorities, the Commission not only refused any new increase, but cut down the previous allowance slightly, fixing the basic rate at 85c.

Early in 1920 the company asked that the rate be fixed at $1.25, stating that even this figure was 7 cents below actual requirements, in view of increased payroll costs amounting to nearly $2,000,000 for 1920. The Commission compromised by fixing a temporary rate of $1.15 for small consumers, and the city is still fighting this concession.

It is understood that a final scale of rates will not be determined until the Commission's valuation of the property is completed. It has recently been announced that a figure of $56,250,000 was arrived at by a committee appointed by the Commission, and that a depreciation charge of about 19% would be allowed, presumably making the amount on which rates would be figured about $70,000,000. Six per cent on this amount would leave perhaps 5% for the stock after payment of fixed charges. It is understood that no final action has yet been taken by the Commission, however.

Engineers employed by the company have valued the property at from $90,000,000 (about the book value) to $105,000,000.

In the meantime the company has also been involved in some tangled litigation known as the "$10,000,000 rebate suit." This famous case has already hung fire in the Courts for some eight or nine years,



and it is stated on the authority of a municipal attorney that several years more must elapse before the wheels of justice grind out a final decision. Briefly, the case involves the constitutionality of the Act of 1905 whereby the Legislature granted the City of Chicago the right to fix gas rates. Inasmuch as this right is now vested in the Public Utilities Commission, the case presumably has no bearing on the present situation, but concerns the rates fixed in former years and the liability of the company to make a refund thereon. If the company should be required to deposit or refund the full amount of $10,000,000 it would be a sad blow to its financial condition for the present surplus would be very nearly wiped out. It is to be hoped that the lawyers will eventually find a way out of the difficulty.

The By-Products Company

The company has also met with local opposition in connection with its plans for expansion. In February this year the formation of a new subsidiary, the Chicago By-Products Company, was announced, whose securities would be jointly guaranteed by the People's Company and the Koppers Co., a Pittsburg concern interested in various utility construction enterprises. The new company was to construct in about two years huge coal gas and water gas plants, whose output would about equal half that of the present plants, part of which they are doubtless intended to replace.

As its name signifies, the new concern would, in addition to furnishing gas to the People's Company, produce various by-products, the possibilities of which were formerly not appreciated. The Gas Company was to have the right to take over the property four years after operations begin.

Soon after the plan was announced the City Council declared it to be illegal and requested the Public Utilities Commission to disavow the project, but apparently the Commission has placed no obstacles in the development of the undertaking.

As regards the outlook for the immediate future, the company should be able to scrape through 1920 without facing receivership, as the increase in rates from 85c to $1.15, operative for the last half of the year, should yield in the neighborhood of $4,000,000 additional revenue. For the first quarter of the year the company reported a deficit of $710,000, and it is not clear whether this included full settlement for the 10% wage increase allowed in March, retroactive to December 1. Interest charges may also increase this year, because of the joint guarantee of interest on the By-Products Company bonds issued this year. From an accounting point of view, however, this interest should be charged to construction costs.

The company fixed its financial "reqirements" for 1920 at $1.32 per thousand (as against $1.15 allowed for half of 1920), but this estimate was probably rather liberal.

The outlook for the future depends on the valuation figures adopted, the out-

come of the rebate suit, and possible profits from the By-Products Company.

Laclede Gas Light Company

Laclede Gas, which controls the gas business of St. Louis, has come through the ordeal somewhat better than People's Gas. While net income has shown a decided slump the company has been able to maintain dividends on its preferred stock. The dividend on common had to be abandoned in June last year, however, after uninterrupted payments for twenty years.

In 1918 the Federal Government asked the Laclede Gas Light company to recover toluol for use in munitions as well as to build two plants for the production of shells, new facilities to be constructed under guarantees from the Government. The company did not realize any profit from this venture, inasmuch as the end of the war interrupted the construction work, and it is understod that the entire matter has now been cleared up and is not reflected in current accounts.

The company filed new gas rate schedules with the Public Service Commission of Missouri in July, 1918, requesting a 15c increase. A year later about two-thirds of this increase was allowed, the new rates being effective for thirteen months.

Increased revenue of $652,000 was anticipated, the new rates being estimated to give a net earning capacity of about 6.43% on investment (after allowing for depreciation of $400,000 per annum) but actual results were apparently slightly better than this.

Taking the valuation of the plants at the Commission's figures of $30,000,000, income before charges for 1919 was only about $125,000 below the allowance of 6.43%. If, therefore, the Commission should adhere to this valuation figure after its investigation is completed, and fixes rates accordingly, earnings on the common stock will be limited to 1% or 2% on the present operating basis, as against former average earnings of 8% to 9%.

The funded debt and preferred stock together amount to about $28,500,000, and as interest charges and dividends require a return of about 6.2% against 6.43% allowed on $30,000,000 by the Commission, the small amount remaining for the common stock is explained.

It is to be hoped, however, that the courageous step recently taken by the Interstate Commerce Commission in granting a generous advance in railroad rates will be reflected in a more liberal attitude on the part of local utility commissions, and that Laclede Gas will be able to obtain a larger figure for its property investment, or a higher percentage return thereon.

Position of the Securities

People's Gas stock has declined from a high of 130 in 1913 to its present low of about 27, and shows very little rallying power. Indications seem to favor a still lower price trend unless a rapid solution is found to the company's difficulties. Any net income obtained in the next two or three years should be put back into the property, since dividend payments have in the past been made with a very small margin of safety, and profit and loss is now considerably lower than in 1913. It is evident, therefore, that present holders must expect a rather "long pull" before getting returns.

The company's First Consolidated 6s, a comparatively small issue, still sells on about a 7% yield basis, but the Refunding 5s, of which there are $20,554,000 outstanding, are quoted at about 57 with a yield of 9.4%. In view of the deficit which the company may face this year, these bonds seem to be selling too high.

Laclede Gas preferred is very inactive, there being no recent quotation. In March this year the stock sold in St. Louis at 65, which price affords a yield of about 7.7%. The common stock is quoted at about 35 on the New York Stock Exchange, although as recently as 1917 it sold at 104. No important accumulation seems evident and as in the case of People's Gas, the market displays a waiting attitude. At present prices, and taking into account past earning power and other factors, Laclede Gas should be in a stronger market position than People's Gas. Neither one could be considered a bargain if compared with some of the non-dividend rail stocks.—People's Gas. vol. 25 p. 823; Laclede Gas, vol. 24, p. 59.

HOW THE CO-OPERATIVE PLAN WORKS OUT IN ONE BUSINESS

Writing in "Co-operation," the Organ of the Leighton Co-operative Dairy Lunch, John H. Leighton Says in Part:

Five co-operative concerns whose business it is to serve the public with food, served 455,421 meals during the month of April; 507,551 during the month of May; 518,466 during the month of June. One of these places alone served 156,572 in April; 188,762 in May; and 199,768 in June; another served 94,405 in April; 98,771 in May; and 102,110 in June.

This tremendous volume of business and this remarkable increase in patronage is due to the co-operative principle upon which these concerns are organized and run.

Let us just stop and consider what it would mean if all business were run on this basis—workers working for what they get and getting what they work for. Contemplate for a moment what it would mean to the prosperity and welfare of the community. Even in the co-operative industries here in the San Francisco Bay region, which are only in the infancy of their growth, $30,000 a month in addition to salaries are distributed among about 400 workers, and the salaries are as large as, or larger than, those paid in similar industries run on the ordinary basis.

Wide Distribution of Prosperity

What is being done with this $30,000 a month? Going to 400 persons instead of to one, the money is broadcasted to merchants and to numberless constructive and upbuilding channels and agencies, adding to the comfort and financial well-being of thousands of people, putting them beyond the line of financial want and thereby improving the morale and good citizenship of the community and the nation.

Let us be specific and see just how this is done. Take the men commonly called bus boys—those who carry the dishes—in these food-serving concerns. These men earn four dollars a day for an eight-hour day and receive their board not only for the six days which they work but for their day of rest as well. In addition to this they receive their uniform without cost to them and they have no expense for uniform laundry bills. Allowing $1.50 a day for board these men receive an equivalent of $34.50 a week or over $138.00 a month.

Then if they have some money invested they receive dividends on that—and right here we come to one of the remarkable features of the proposition, for these dividends are about 25 per cent. a month on the investment. Yes, that is what I said, 25 per cent. a month on the investment. So if the bus man has $500 invested, as one of them has, he receives $125 in dividends, and this added to his salary of $138 a month gives him the tidy sum of $263 a month as his total return on his capital and labor. But suppose he has only $200 invested—which amount any bus man could soon save out of his wages—his total earnings would be $188 a month, which would place him in a position to face the world on an even footing with the hitherto more favored sons of industry and commerce and the professions.

Suppose all industry, or even a large portion of it, were run on this basis. Just suppose the grocery stores, the butcher shops, the laundries, the boot and shoe stores, and the thousand and one small and medium sized manufacturing and distributing concerns were to adopt this system, allowing the workers to participate in the investment and earnings! What a reign of harmony, industrial good will and prosperity would sweep over the land!

Will the plan work in other lines of industry? This is a question that is asked of me every day; and I am happy to reply that it most assuredly will work in other lines of industry. Nor do I speak theoretically in this matter. We have applied the idea to the printing business, one of the most complicated and technical forms of business, and have produced excellent results. This plant has been in operation under the co-operative plan only about three months and as there is a large amount of work in the unfinished stage, and for other reasons, the high degree of success that has been attained has not yet been fully reflected in the net earnings. And yet the business has declared two five per cent. dividends and has earned a good sum besides.

A Co-operative Printing Industry

Employment in the co-operative printing concern not only carries the privilege of investing in that establishment, but in other co-operative undertakings that are being organized under the same plan. In fact the avenues of opportunity for employment and investment are opening up on all sides as the plan is carried out. Men and women of energy and determination are coming forward to carry on these projects, and they by their example and their positions in the business require that those that join the concerns also come up to the standard in attention to business and in productivity.

Mining Securities

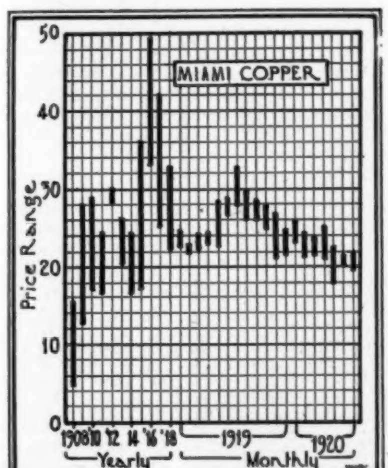
Miami Copper Co.

Value of Miami's Property Thoroughly Demonstrated

Complete Equipment and Progressive Ore Development Place It at Fore—Litigation Should Not Seriously Affect Its Prosperity

By **C. S. HARTLEIGH**

THE Miami Copper Company was incorporated November 29, 1907, with a capital of $3,000,000, divided into 600,000 shares of a par value of $5. The capital was increased in November, 1909, to $3,500,000, and again increased in August, 1910, to $4,000,000. The total capital stock issued amounts to $3,735,570, equivalent to 747,114 shares. The shares



are listed on the New York and Boston stock exchanges.

At the time of its organization, for 300,000 shares of its capital stock the company acquired from the General Development Company about 300 acres of land, of which 200 acres is mineral land located in the Red Springs district, about six miles west of Globe, Ariz.

In April, 1908, the company issued 200,000 shares of $5 a share; 100,000 shares were issued in August, 1908, at $10 a share; 60,000 shares were issued in August, 1910, at $18 a share; 87,114 shares were set aside for conversion of bonds; and 52,886 shares remain unissued.

Since organization, the company has acquired additional lands, until now it has a total of 1,122 acres. Of the total acreage, 222 acres are patented mining claims, 555 acres are reserved for mill and power plant purposes, and 345 acres are held for their water rights.

The mine is operated through a four-compartment shaft with a main hoist capable of handling 10,000 tons of ore a day, and an auxiliary hoist for handling timber and supplies. These hoists are operated from their own boiler plant using oil as fuel. California crude oil is used for fuel, for which storage capacity of 1,000,000 gallons is provided.

Underground Development

In order to insure continuous operation of the mine, and to facilitate the segregation of the ore into two classes, a new shaft, No. 5, similar in size to No. 4, the present main working shaft, has recently been sunk to a depth of 936 feet. No. 5 shaft will also provide a haulage level and ore pocket for the deepest ore at present known to exist on the property. The shaft has been concreted.

The total underground development work amounted to 248,560 feet at the close of 1915. Additional development work aggregating 42,118 feet was performed during 1916, 25,476 feet during 1917, 14,872 feet during 1918, and 14,552 feet during 1919, making a grand total of 345,578 feet, or about 65 miles.

In addition to these extensive underground operations, there are 117 churn-drill holes, put down 200 feet apart, and having an average depth of 640 feet. Drill borings in the vicinity of the mine have shown commercial ore at a depth of 115 feet below the 720-foot level of the mine.

The mine contains two separate ore bodies, known as the Main ore body, which is about 1,000 feet long by 750 feet wide, and the Captain ore body, which is about 350 feet thick, with extreme horizontal dimensions of about 500 feet square. In the former, the top slicing method of mining was used, and the ore was mined in blocks 250 feet square and 10 feet high. This top slicing system produced 3,000 tons of ore per day from the main ore body. During 1919, about 75% of the development work was for the purpose of preparing this ore body for the undercut caving system of mining which was introduced on December 22. In the Captain ore body, which consists of lower grade ore, a system of shrinkage stoping and undercutting and caving of pillars is used. The production from this ore body was also about 3,000 tons per day.

Ore Reserves

New development work during 1919 resulted in very slight changes in the boundary of the high-grade sulphide ore body, and careful estimates place the tonnage of this class of ore at 11,054,349 tons having an average grade of 2.38% copper.

No new information was gained during the year 1919 regarding the low-grade sulphide ore body, and it is reported at the same tonnage and grade as for the previous year, namely, 36,000,000 tons of an average grade, as determined by drill sampling, of 1.06% copper. In addition, there is a mixed sulphide and oxide ore body, and this is reported at 6,000,000 tons, averaging about 2% copper.

A large part of this ore is actually blocked out underground, and the estimated average percentage is based upon thousands of careful assays, made of samples taken at five-foot intervals throughout the workings. It is probable the mixed sulphide and oxide ore, and the low-grade sulphide ore will not be much of an asset under present conditions of metallurgical recovery, operating costs, and market price of copper. The reserve of high-grade sulphide ore, at the 1919 rate of production, would last about 6½ years.

Equipment

The power plant now has a generating capacity of 7,000 kilowatts, with spare units for about half this amount. The present boiler capacity is limited to the equivalent of about 6,000 kilowatts, which is ample for the company's requirements for the present and immediate future.

TABLE I.—ORE MILLED AT MIAMI.

Year.	Tons Treated
1911	445,036
1912	1,040,744
1913	1,058,784
1914	1,096,633
1915	1,348,122
1916	1,842,017
1917	1,640,206
1918	2,132,041
1919	1,698,446

TABLE II.—MIAMI'S MARGIN OF PROFIT.

Year	Cost	Selling Price	Profit
	(Cents per pound)		
1911	9.103	13.030	3.927
1912	9.588	16.582	6.994
1913	10.609	15.240	4.631
1914	9.204	13.349	4.145
1915	8.765	17.331	8.566
1916	9.523	24.465	14.942
1917	12.510	29.150	16.640
1918	14.833	25.195	10.362
1919	15.812	18.270	2.458

TABLE III.—MIAMI'S DIVIDEND RECORD.

Year	Dividends
1912	$1.50
1913	2.00
1914	1.50
1915	2.25
1916	5.75
1917	6.75*
1918	4.50
1919	2.50
1920	2.00

*Includes a Red Cross and Y. M. C. A. War Work div. of 25c. per share.

The main, or No. 4 shaft, is equipped with an ore hoist which raises two 7½-ton skips, which are dumped directly into the ore pockets of the crusher building. The crusher building has a capacity of 6,000 tons daily. The ore is crushed to half-inch size, and is delivered by belt conveyor to the mill bins. In 1919 the new shaft house was built, head frame erected, and motor-driven hoist installed at No. 5 shaft.

The concentrator has a daily capacity of 6,000 tons. Concentrates produced in the mill assay about 43% copper, and are shipped to the International smelter at Miami. Experiments on the treatment of the oxidized ore are being carried out in a 100-ton test plant.

The buildings include a machine shop, warehouses, steel change house, store, boarding house, bunkhouse, and about 150 frame dwellings for employees, all lighted by electricity. There is an office building erected at a cost of $15,000, a club house and recreation hall, and a hospital.

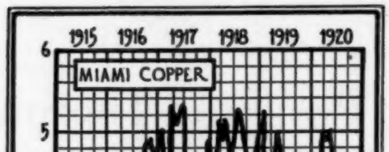
Production

Due to copper market conditions during 1919, the company's milling plant was operated at an average of 75% of normal capacity throughout the year, dropping from 90% of normal in January to 60% in August, and gradually increasing to 82% of normal capacity in December. The ore milled during the past nine years is given in Table I.

Of the 1,696,796 tons mined during 1919, 100,556 tons were obtained from development, 1,209,534 tons from the Main ore body, and 386,706 tons from the Captain ore body. The latter ore body is now exhausted, and full mill tonnage is produced from the Main ore body. The ore milled during the year averaged 2.04% copper, and produced 65,544 tons of concentrate averaging 43.54% copper. The copper recovered per ton of ore was 33.6 pounds, indicating a mill extraction of 82.38%. Miami's copper production in pounds per month is shown in the accompanying graph No. 1.

The total milling cost was 20 cents higher in 1919 than during the previous year, principally due to a 50% increase in the cost of power accounted for by the advance in price of fuel oil, and also to an increased amount of experimental work. The smelter returns of refined copper in the concentrate shipped amounted to 54,221,638 pounds. The cost of this copper in concentrate on board cars at Miami was $2.91 per ton of ore, or 9.131 cents per pound of copper. To this must be added the amount to be paid for Federal taxes, cost of renewals and repairs, depreciation, depletion, and development, which brings the total cost of producing copper up to 15.812 cents a pound for the year.

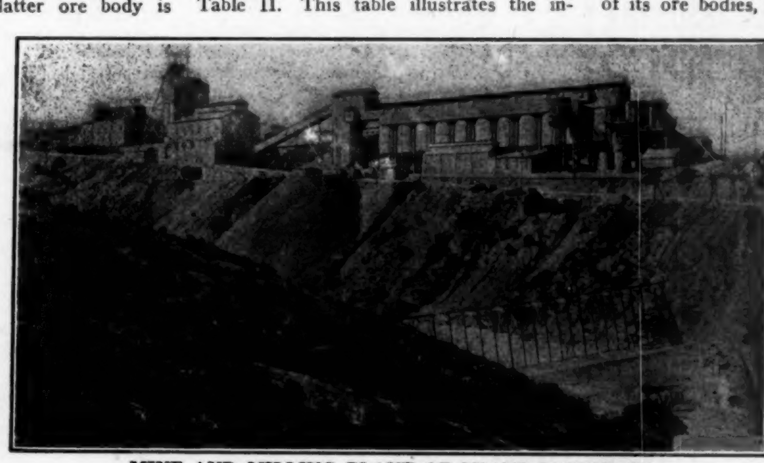
The present operating program, which involves drawing nearly all the ore from the main ore body, will probably result in a mill feed that will be lower in oxide than has been the case in the past, and this should result in improved mill efficiency. In the mine the change from the



top slicing method to the undercut caving method will result in lower mining costs for 1920.

Margin of Profit

The cost of producing copper during 1919 as compared to results for previous years, and the margin of profit based on average selling price, are set forth in Table II. This table illustrates the increased profit resulting from war demands, and the effect of the post-war market reaction, and increased cost of production.



MINE AND MILLING PLANT OF MIAMI COPPER CO.

The company's dividend record is set forth in Table III.

The price range of Miami shares is shown in the accompanying graph No. 2.

Litigation

In July, 1914, Minerals Separation brought suit against Miami for infringement of patent, and in September, 1916, the U. S. District Court decided that Miami had infringed the Mineral Separation patents. The decision was subsequently confirmed, and in September, 1917, a permanent injunction was filed restraining the Miami Copper Company from using any of the flotation processes of Minerals Separation, Ltd.

In November, 1919, Minerals Separation filed a supplemental plea, in which it asked a preliminary injunction restraining Miami from continued infringement of Mineral Separation's froth flotation process.

In May, 1920, the U. S. District Court ordered Miami to appear on June 7, 1920, to show cause why it should not be judged in contempt of court for disobeying the injunction of September, 1917, restraining it from continued use of the flotation process of Minerals Separation.

Miami then made application in the Circuit Court of Appeals for permission to file in the U. S. District Court a supplemental bill to review the decision of that court in favor of Minerals Separation, which decision was upheld by the Circuit Court of Appeals. In June, 1920, the Circuit Court of Appeals refused Miami's request.

It is hinted by some that the loss of the case may cost Miami as much as $5,000,000. However, it is claimed by others that the process now used by Miami is entirely different from that employed when the suit was started. In any event, it is improbable that Miami's prosperity will suffer any serious setback as a result of the litigation.

Conclusion

The value of Miami's property has been demonstrated by thorough development of its ore bodies, thousands of assays of samples carefully taken, by its production record, and its earning ability. Since 1916, the banner year for copper producers, Miami's net income has held up firmer than the net income of other large copper companies, and its net earnings for 1919 were at a higher rate on the present market price of its shares than any of the other large copper producers. Recently there has been a little accumulation of the stock around $20 a share.—vol. 25, p. 821.

The Gold Problem

Two propositions for maintaining the gold reserves of this country are not unlikely to be generally brought to the attention of the public, says the *United States Investor*. The first is a gold embargo. The idea can be dismissed as one only likely to eventuate under more dire necessity. A free interchange of gold between all countries is most to be desired and this country, instead of promoting world financial unrest by estopping the flow of gold, should lead in promoting such an interchange.

Drawing Up a Mining Lease

Chapter VI of the Series "Business Principles Applied to Mining"—Analysis of Typical Lease Covenants

By **HARRY J. WOLF**

EVERY dividend-paying mine represents the successful development of one or more parcels of mineral-bearing ground which were once mere mining claims. In the beginning, these claims are not developed by any opening except the discovery shaft, or its equivalent, required by law to complete the possessory title of the original owner. The area embraced in the mining claim evidently has "promising possibilities," at least in the eyes of the prospector who locates it, for otherwise he would not spend his time and money in acquiring title, which he can maintain only through the expenditure of additional time or money in performing annual improvements worth $100.

Unless the early development work on the property accomplishes the unusual, and opens a body of high-grade ore that can be shipped at a profit sufficient to finance the more extensive development required to make a mine, the growth of the property is likely to be slow and intermittent. If the ore must be concentrated in order to secure a salable product, of if the owner's resources are limited, then the owner is forced to seek financial assistance.

Capital for mine development has its price. This price may be a share in the ownership of the property, or it may be a share in the profits accruing from the operation of the property for a limited time. The latter arrangement is the basis of a mining lease, which is a form of contract frequently involved in the life history of a mining property. I desire to point out how such an agreement can best serve the two chief interests involved if its terms are outlined in accordance with fair business principles.

PRELIMINARY MINING EQUIPMENT PLANT

Installed by a lessee who is operating the property under a lease, which may be the means of developing it into an important mine without expense to the owners.

What a Lease Provides

The introductory paragraph of a lease usually contains the names of the parties to the contract, and the date the agreement goes into effect. The parties may be either individuals or corporations. For example, the owner of a mining claim may not be financially able to develop his property so as to determine its value within a reasonable period of time, but he may be able to lease it to one or more individuals, or to a corporation that is willing to pay for a stipulated amount of development work, with the hope that it may open a body of payable ore, and get its money back with profit within the term of the lease.

The second paragraph of a mining lease usually contains a definite description of the property to be leased. The property may be a single mining claim, with no more development work than a 10-foot shaft. In this case it may be designated by name, or survey number if it is patented.

On the other hand, the property may consist of a group of mining claims covering a mine with several miles of underground workings.

If all the property is included in a single lease, then its description may be simply an enumeration of all the individual mining claims of the group, or it may be designated by its commonly accepted group name, provided this serves to clearly identify it.

However, if the property to be leased is a certain block of ground in a large mine, then it is advisable to make the description of this block so definite that it will be impossible to have a misunderstanding or controversy over the ownership of any part of a rich ore shoot which might be discovered close to the boundary of the leased ground. If no payable ore is discovered, no controversy is likely to develop; but if a rich pocket is opened near a vaguely described boundary plane between two leased blocks, all the ingredients for wasteful litigation are immediately present.

Long Term Leases—Pro and Con

A third important consideration in a mining lease is the length of time it is to run. Ordinary terms of lease vary from two to five years, but conditions might justify a much longer period. Theoretically, the owner of an unprofitable property would like to grant a lease of sufficient length to permit the lessee to open a large body of good ore, but not time enough to work out all of this ore.

Two of the chief advantages that the lessor of a mine hopes to gain are, first, to have his mine developed at the other fellow's expense, and second, to derive a small income in the form of royalty on the lessee's production, without assuming any of the risks of mine operating. With these two advantages in view, one might wonder why the lessor would not like to have the lease run on for an indefinite period. But the lessor hopes for a third, and more speculative advantage, namely, that the lessee will open a body of very rich ore some time before the lease expires, preferably just before it expires, so that he will regain possession of the property greatly increased in value. This possible advantage is partly offset by the lessee's desire to gain the greatest possible profit from the ore body which he has developed, perhaps after risking considerable capital in development work. The lessee will naturally plan to mine out as much of the new ore body as possible within the term of his lease, with the result that the lessor eventually finds himself in possession of a very much run-down property, sometimes little more than an empty shell.

In considering the length of a lease there may be injected into the contract a stipulation that permits a long-time contract to the advantage of both lessor and lessee, and at the same time insures the lessor against the danger of having his mine returned in a worked out condition, and that is to specify that the lessee is to mine no ore within say 50 or 100 feet of the breast of any development opening which he may drive, and that he shall carry no stope higher than say 50 or 100 feet above any working level in the mine.

Such an arrangement insures to the lessor a certain proportion of any new ore shoots that may be opened by means of the lessee's development work. Furthermore, this plan justifies a longer lease, which encourages the lessee to install more permanent equipment, and perform his work in a more miner-like fashion, and the more ore bodies the lessee finds the more valuable the property will be when it is returned to the lessor, provided, of course, that the limiting distances are wisely chosen. The arrangement is fair and businesslike.

Details of the Lease

For the protection of the lessor, the lease will contain a list of all the things the lessee agrees to do in consideration of the execution of the lease by the lessor. The first covenant usually refers to the date the lessee agrees to begin work on the property. This date should be as soon after the date of the lease as possible, for a period of idleness represents waste of

time and money, to say nothing of possible depreciation of mine timbering and underground equipment.

The lease should stipulate the number of men that must be kept regularly at work on the property, so as to insure a certain minimum amount of activity in the development of the mine. At the same time there should be an agreement as to the minimum footage of development work to be performed each month during the life of the lease, so that definite results may be accomplished toward opening or prospecting for new ore bodies, regardless of the number of men employed.

Every mining lease should contain a paragraph setting forth in some detail how the lessee is to take care of the property during the term of his lease. The lessee usually agrees to keep all workings made by him securely timbered with good, sound timber, and to repair all old timbering where necessary in order to keep the mine in good working condition; and to keep the drifts, tunnels, and other workings thoroughly drained, and clear of loose rock and rubbish. Ordinarily, underhand stoping is prohibited because it destroys the levels, or leaves them in a condition requiring expensive repairs or timbering in the event that the lessor should desire to make use of them following the termination of the lease.

A Wise Precaution

The lessor should always insist that the lessee pay his bills promptly, and render a statement of his financial condition at regular intervals or on lessor's demand. Otherwise, if the lessee is allowed to run in debt, his creditors can file a lien on the property for the amount of the debts. Therefore it is a businesslike precaution for the lessor to insist that the lessee keep posted in a conspicuous place on the property at all times a notice to the effect that the property is being operated under lease, and that no interest of the lessor shall be held for claim for lien on account of any work done on the property, or materials furnished therefor, by or for the lessee, and that all persons are notified and warned that the lessor is not and will not be responsible nor liable for debts or liabilities of any nature whatsoever contracted by the lessee. It might be wise to publish a copy of such notice in a newspaper published near the mine.

One of the considerations for the lease is the rent or royalty that the lessee must pay to the lessor during the life of the contract. This consideration may be a flat monthly rental for possession of the property, or a royalty on the production made by the lessee, or a combination of the two. A flat rental for possession of the property and equipment may be a fair stipulation if the lessee is to have the use of valuable and essential equipment which has been installed by the lessor, for the lessee has the benefit of this equipment, which he might have to install at his own expense if it were not already there. If the rental for such equipment is equal to, or less than, the interest on the capital investment in the equipment, plus a fair charge for depreciation, then such rental would be a fair stipulation from the lessee's viewpoint, for it would represent a saving in both time and money over making an installation at his own expense.

When a rental is not received by the lessor for possession of his property by the lessee, then his chief source of income is the royalty on the lessee's production. This is commonly based on the net proceeds from the sale of crude ore mined from the premises, or from the sale of concentrate that may be made from such ore, or on bullion made in the treatment of the ore, whether the ore is shipped direct to a smelter or is treated in a mill for the purpose of concentration. The royalty is a percentage of the proceeds resulting from the sale, and the basis of the calculation should be clearly stipulated so as to avoid misunderstanding.

Meaning of "Net Smelter" Returns

The term "net smelter returns," so often referred to in discussing royalties, means the amount of the check which the shipper receives from the purchaser of the product, after all treatment charges and other customary deductions, and advances to cover railroad freight, have been subtracted from the gross value of the product as determined by the purchaser's schedule of payments for the various metals it contains.

It should be noted that "net smelter returns" involves deduction for railroad freight on the product, but it does not involve any other transportation charges, such as wagon haulage or mule back transportation, unless such deductions are specifically stipulated in the agreement. The reason for this is that railroad freight is a relatively uniform and standard charge, the cost of which must be advanced temporarily by the buyer of the product at the point of delivery, but other forms of transportation might be quite irregular and uncertain, and the service might be rendered by some party interested in making the charge as high as possible, for example the lessee or one of his friends, which would have the effect of placing the lessor at the mercy of interests directly opposed to his own.

It would be unbusinesslike for the lessor to agree to the payment of transportation other than railroad freight, unless such charges bore some relation to the gross value of the product so transported. Imagine the favorable opportunity an unscrupulous lessee would have if he were indirectly interested in a contract for hauling ore from a mine on which he held a lease, to a mill operated under his direction! Regardless of a reasonable milling charge, and a favorable extraction of the metal values, the lessee would naturally find it to his best interests to lower the average grade of the ore mined, and increase the number of tons hauled, until the net proceeds from the sale of the ultimate product would just be completely absorbed by the milling and hauling charges, so that there would be no royalty to pay. Of course, this is an extreme case, but it is cited to show that the lessor must guard his interests against any stipulation permitting an approach to such a possibility.

Deductions Should Also Be Considered

If it would be endangering the lessor's profit to permit too many deductions for handling and transportation, or other operating expenses, before arriving at a basis for the calculation of the royalty, it would also endanger the lessee's share of the profit if he agreed to a calculation of the royalty before certain deductions, in the form of treatment charges and losses, were made. For example, a royalty based on gross value of the product would be hazardous, and it would be easy to imagine a case under such conditions that the lessee would have to pay the royalty out of his own pocket. As a result of numerous early failures of leasing operations that have provided extreme advantages for either lessor or lessee, it is apparent that a contract wherein advantages are about equally distributed will accomplish the most good. A fair, businesslike agreement as to the division of the profits of a lease on speculative mining property, will accomplish the most development work for the lessor at the lessee's expense, and will at the same time give the lessee a chance to make a profit commensurate with the risks of loss which he is willing to assume.

Royalties on mining leases may be either "flat" or on a "sliding scale." A flat royalty may be a stipulated payment per ton of ore sold, or a fixed percentage of the net smelter returns, regardless of any variation in the assay value of the product. Where the character and value of the ore, or other product, is known to be uniform, such a fixed royalty may be satisfactory to both parties at interest. A fixed royalty assures the lessor of a minimum share in the net proceeds.

(*Series to be continued*)

A REMARKABLE RECORD OF CUMULATIVE EXPANSION

(*Continued from page* 617)

is also of importance in a period of strained credits like the present.

On the other hand, there has been a tremendous leap in liabilities on account of unpaid purchases, expenses, payrolls, etc., from $978,470 at the end of 1919 to $4,239,616 at the end of June, 1920, and a new liability of $585,750 for unpaid stock subscriptions has been created. On the whole, however, within these six months working capital increased by nearly $1,800,000.

The original capitalization of the company consisted of 70,000 shares of $100 par, but with the exchange of three new for one old share and a 33⅓% stock dividend, there are now outstanding 280,000 shares of no par value, the assets behind them, excluding intangibles, amounting to slightly below $43 a share, or about half the market price. The stock, in spite of its recent severe deflation, is therefore still selling on a basis of earning power rather than asset values. As indicated above, its earnings are very good, and the outlook appears to be that, barring any sudden shock to business, the company may come out some $37 a share ahead on the new stock, which would more than safeguard the present $10 dividend rate.

Over a period of years, however, the company may be subject to more severe competition and possibly decreasing demand, so that caution should be exercised in buying the stock. It does not seem to be well supported at its present price of about 83, and intending purchasers may be able to pick it up at lower levels.—vol. 25, p. 765.

Petroleum Securities

Island Oil & Transport Corporation

Getting New Production in Mexico Is Island Oil's Biggest Problem

Company Making Large Profits from Its Refinery Operations — Practically All Litigation Settled at Last

By J. GRANT

SOME three years ago Island Oil & Transport Corporation was brought out as one of the very earliest of the recent oil promotions and since that time has had a very checkered career, both as to its finances and actual operation. The market value of the stock has fluctuated very sharply as has the production. However, at the present time the company occupies the position of being the second largest exporter of Mexican crude.

Island Oil & Transport is a holding corporation, organized in January 1917, under the laws of Virginia, with an authorized capital stock of $30,000,000, consisting of 3,000,000 shares of common stock of a par value of $10.00. At present there is issued and outstanding $22,500,000 of stock. The balance of the stock is held in reserve to meet the conversion privilege given to the holders of the corporation's 10-year 6% gold debentures. The stock is held through a Voting Trust Agreement which terminates August 1, 1922, at which time the holders of the voting trust certificates will receive, upon surrender of their respective certificates, the common stock of the company. The object of the Voting Trust Agreement, which was for a period of five years, was to allow the management of the property to be directed by the same interests under a definite and fixed policy for that period.

Island's Producing Properties

The producing properties of the company are all located in Mexico in the "Light Oil" territory. The oil produced in this area is the best that is produced in Mexico. It is much lighter than the Panuco crude and accordingly much more satisfactory for refinery and fuel purposes. The gasoline recovered from the light oil is much greater than the Panuco, about 13½% being obtained from Tepetate crude as compared to about 4% from the Panuco. It also commands a much higher price, some selling for $2.00 a barrel for spot deliveries, while Panuco only brings $1.00 a barrel for spot deliveries. Island has also some holdings in Cuba, but these cannot be considered of much value as two dry holes have been drilled on the holdings there. The company also held at one time some very valuable property in Colombia, which, however, was not retained.

The Island, through the Compania Mexicana de Petroleo "La Libertad," has leasehold rights on 644 hectares or about 1,450 acres in Mexico. On this property was drilled the famous well No. 9 on the Tepetate tract. This well produced over 2,500,000 barrels before it turned to salt water.

Of the property controlled by the company about 1,100 acres is unproven and the balance of 350 acres is probably in the producing area.

Through the Capuchinas Oil Co. (Cia Petrolia Capuchinas), Island owns in fee and leasehold rights about 7,600 acres, all located in Tuxpam district. The two producing wells of the Island are located in this territory, one on lot 162 in Chinampa and the other on lot 135 also in Chinampa. The major portion of the acreage controlled by this subsidiary has good prospects for production.

Through the Cia Petrolera "Nayaut," the company controls about 3,965 acres. The majority of the acreage owned through this company is considered "wildcat," although the geologists' reports have been favorable.

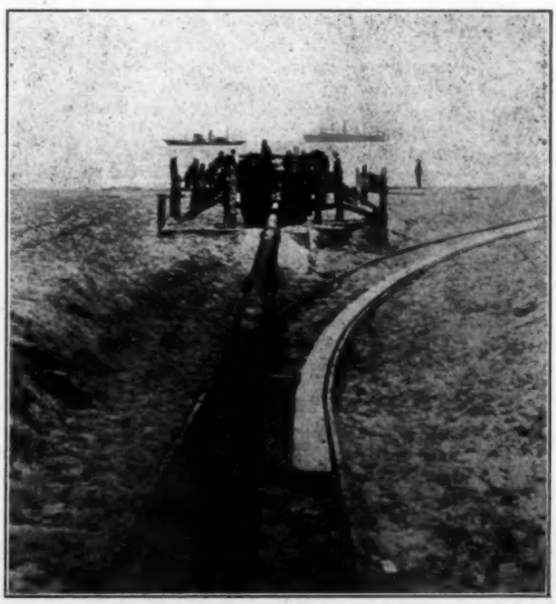
The total holdings of Island in Mexico are approximately 13,000 acres, of which about 50% can be considered as fairly well proven.

Island has full interest in two producing wells and one-half interest with the Empire interests in a well just brought in on lot 114, Chinampa, with a potential production of 50,000 barrels. It is drilling three other wells, all very favorably located for production. The "bringing in" of these wells would boost the production very materially as the producers are all of gusher size in this field and a well of 50,000 barrels is not considered very large.

The Menace of Salt Water

The salt water menace, however, in this territory is one which cannot be disregarded. The history of wells in this field has been that, when first brought in, they show little or no salt water. They continue this way for a period of time and then the salt water increases until it gets to the point where the well has to be closed in. The rate at which the oil is drawn from the well appears to have a great bearing on the rapidity with which the well turns to salt water, wells from which a large amount of oil is daily drawn turning to salt water much more rapidly than those from which the oil is taken in smaller quantities.

At present, Island is running about 45,000 barrels a day from its two wells, taking about 18,000 barrels from one and about 27,000 barrels from the other. In passing it may be noted that this is a very large amount of oil to be drawn from two wells. The producing well on lot 162 commenced to show salt water some months ago and it is only a question of time, although it cannot be predicted how soon, when



Loading tankers at sea at Island Oil Corporation's berth at Palo Blanco, Mexico.

this well will turn to salt water. The other producing well has not shown any salt water up to the present time.

The Island now has two 8-inch lines from its wells to its sea loading station at Palo Blanco and has purchased pipe for a third line. It has two 10-inch lines from the storage tanks to its loading berths and operates two berths. As a result, the company is able to load two steamers at once in a very short period of time. It probably has the best loading facilities of any company exporting oil from Mexico.

Through the Island Refining Corporation, the company is now operating a very fine and up-to-date refinery at New Orleans. This plant is a "topping plant" and can handle about 7,500 barrels a day. It is also constructing a topping plant in Mexico that will handle 5,000 barrels a day, and, in addition, controls 51% of the Massachusetts Oil Refining Corporation, which is building a refinery near Boston. This will give the Island Oil a net refining capacity of 15,000 barrels a day. As the refineries run on the light Mexican crude, and thus recover a good percentage of gasoline, the profits should be very large. The refineries are all located very advantageously for marketing purposes.

Company's Earnings Fair

The earnings for the first three months of this year were $350,706 after taxes and interest charges, or about 15 cents a share on the outstanding stock. The market value of the stock is now around $6 a share, making the total value about $13,500,000.

It is worth noting that the earnings are just about 10% of the market value, without taking care of any depreciation, depletion, etc., which are very important charges in an oil company. The book value of the leases, etc., is put at $30,781,033 and at least 10% per annum should be charged off to this account. It is very apparent that if this sum was charged off most of the profits would disappear.

The company is selling about twice as much oil as it was in the early part of this year and at almost double the price, so it is very probable that the earnings for the balance of the year will be greatly increased over the first three months' results. The earnings from the refineries should also be reflected this year and will probably compare very favorably with those from production. The refinery at New Orleans is earning over $2 a barrel, which would make over $1,000,000 for the year and the refinery at Palo Blanco and Massachusetts should add another $1,500,000, giving a total of $2,500,000 for this year's earnings from this source. This would be equivalent to 10% on the outstanding stock and considerably more on its present market value.

The successful operation of these refineries is, however, somewhat dependent upon Island's ability to maintain or increase its present production of crude oil. Most of the Tepetate crude is under contract or used by the producers and therefore very little of it is on the market and only at prohibitive prices; thus, if Island's production should be curtailed, it is very questionable whether these refining profits could be maintained.

The Island has settled all of its litigation with the exception of a suit with the Raritan Refining Corporation which it is understood will be settled soon. All of these suits have been settled at no expense to the stockholders of the company. It is also understood that arrangements have been made to take care of the notes due in September, as enough revenue has been receivd from the sale of oil to retire them.

While Island is in a much better position than it was six months ago it is still in the highly speculative stage and will probably remain so until additional production is secured in Mexico. It is very probable, however, that the present market price is very near the low as heavy buying appears whenever the stock declines below $6.—vol. 25, p. 881.

LITTLE SUCCESS IN OIL SHALE

The following is an extract from an article on English oil fields appearing in the July 10 issue of *Money Market Review and Investor's Chronicle*, of London:—

The only country in which shale propositions have at any time met with any success has been in Scotland, and that was so spasmodic that of close on 100 companies only four were able to show even irregular profits. Even these few companies, managed with the greatest economy by men who had studied the problems they presented for a generation, were only able to show profits at intervals over many years, at times when oil market conditions were very exceptional or when by-products were fetching high prices. It was the discovery and development of these by-products that alone saved their position for so long. As we understand, everything depends upon retort results. . . .

The results of shale mining in Australia are notorious. Many hundreds of thousands have been lost in this connection. There are reports of large shale oil deposits in America. The United States has provided money liberally for every kind of oil enterprise, and has a vast army of oil men prospecting and developing everything oiliferous within its territory. We believe we are correct in saying that no shale oil deposit has been at any time successfully developed in any part of America. The margin of profit is so small under the most favorable circumstances that combination of strictest economy with the most skilled of management and satisfactory marketing conditions alone can secure success. At one time high hopes were entertained with regard to South Africa, and on the strength of extravagant promoters' predictions large sums of money were put up by investors. The names of African Freehold Coal Lands, the Transvaal Oil Shale Syndicate, the Oil Shale Development Company, and the Consolidated Oilfields of South Africa will recall regrets to many. No semblance of success was obtained.

COMPANIES WHOSE SECURITIES ARE ANALYZED IN THIS ISSUE

A total of thirty-nine corporations are either discussed exhaustively or with special reference to certain classes of their outstanding securities in this issue of The Magazine of Wall Street.

List of these companies, alphabetically arranged, with numbers of pages on which the articles relating to them appear follows. It should be noted that this list does not include our Bond Buyers Guide or other tabular matter. If the latter class *were* listed, the total number of companies concerning which we publish original data in this one issue would be swelled into the hundreds.

Shell Transport & Trading Co., Ltd.

The British Partner of Royal Dutch

Status of "American Shares" in One of Three Dominant International Oil Groups—Shell's Growth and Organization Policy

By ELI S. BLAIR

"SHELL" Transport and Trading stock is one of the international mediums of speculation and investment, but only recently has it been introduced to the New York market. Many people who would otherwise have been interested in the stock have doubtless kept away from it because of the complicated financial structure which separates the stock from the physical assets lying back of it.

When the company was first organized in 1897, it merged the interests of M. Samuel & Co. and a number of other oil concerns, engaged chiefly in distribution and transportation. Through a Dutch company in the East Indies, it produced a certain amount of oil. In 1903 the interests of the company were further enlarged by its union with the Royal Dutch interests of Holland and the Rothschilds of Paris in the Asiatic Petroleum Co., a distributing organization.

The company's affiliation with Royal Dutch was made more intimate, however, in 1907, when the two companies transferred their assets to two new companies, the Bataafsche and the Anglo-Saxon Petroleum Companies, the former producing and the latter distributing and transporting. The Royal Dutch Company took 60% of the stocks of the new companies, "Shell" taking 40%. It is further understood that Royal Dutch owns 12½% of the stock of the "Shell" company.

The two companies are associated in the same proportion in the ownership of the Roxana Petroleum Co., with its subsidiaries, in Oklahoma, and of the Shell Co. of California. They have also taken over from the English Pearson interests the management and control of the Mexican Eagle Oil Co., which was one of the few drilling in Mexico at the time when Carranza's drilling restrictions were bearing heavily on American oil concerns.

The "American shares," which are the vehicles of trading in the American market, are outstanding to the extent of 375,000, representing 750,000 of the company's ordinary or common shares, whose par value is £1.

Shell's Widespread Interests

Through its various affiliations and stock-holdings, "Shell" controls important acreage in Roumania, through the Societe Ane "Astra Romana"; and in Russia, Egypt, Sarawak (Borneo), the United States, Venezuela, Trinidad and Mexico, in addition to its holdings in the Dutch East Indies. In Russia its interests are affiliated with those of the French Rothschilds. In America, Shell of California is producing at the rate of some 18,700 barrels a day, according to the most recent reports, and has a 170-mile 8-inch pipe-line, connected with a refinery capable of handling 24,000 barrels a day, and storage capacity of 4,525,000 barrels, or over half a year's production. The Roxana subsidiary in Healdton, Cushing and Bartlesville, Oklahoma, together with its pipe-line subsidiary, controls production of about 7,650 barrels a day, 560 miles of pipe-line, a refinery with a daily capacity of 12,000 barrels, and storage capacity of 3,261,000 barrels. The Eagle properties in Mexico turn out about 1,000,000 to 1,500,000 barrels a month, and control 240 miles of pipe-line, whose present capacity of 55,000 barrels a day will shortly be increased to 100,000 barrels. Its storage tanks have a capacity of 6,360,100 barrels. Its two refineries have a combined capacity of 34,000 barrels a day, and its leases include 500,000 acres of more or less developed property, 700 square miles of leaseholds, and much miscellaneous real estate.

PHENOMENAL GROWTH OF SHELL TRANSPORT.

	Capitalization (Authorized)	Income*	Rights	Cash Divs.
1897	£1,800,000	......	....	....
1900	2,000,000	......	200,000 shs @ £2.10s.	....
1903	3,000,000	......	....	....
1907	3,500,000	......	300,000 shs @ 1-10	....
1909	3,500,000	......	300,000 shs @ 2-10	22½%
1910	4,500,000	......	....	22½%
1911	5,000,000	......	....	22½%
1912	5,000,000	......	508,773 shs @ 3-5	30%
1913	10,000,000	......	367,964 shs @ 3-5	35%
1914	15,000,000	£1,657,019	....	35%
1915	23,000,000	1,727,901	....	35%
1916	23,000,000	1,705,844	....	35%
1917	23,000,000	2,774,630	915,717 shs @ 1-0	35%
1918	15,000,000	2,893,603	....	35%
1919	23,000,000	4,713,370	4,054,495 shs @ 1-0	35%

*1897-1913, inclusive, not available.

The company states that one of its guiding policies has been to establish production at points as near to great consuming centers as possible, so as to cut down transportation costs. This is in spite of its ownership of a fleet of over 1,000,000 tons, whose war-time losses through submarine destruction have been more than made up.

The political significance of the company's activities in oil development has not been overlooked of late. With the growing tendency to substitute oil for coal the former has come to occupy a place of the first rank in the consideration of any scheme of national or imperial economic development. The British government, in particular, is said to be especially energetic in this matter of providing for its future economic needs, and is believed to be represented both in the directorate and the stock ownership of "Shell." This is a factor of great, though indefinite, importance, as it assures the company of powerful support both commercially and financially.

Growth of "Shell"

The attached figures will show how "Shell" has grown in both capitalization and earnings. Recent dividends have been maintained at the rate of about 35%, or about $2.52 per "American share," figuring the pound at $3.60. A dividend is paid early in the year, amounting to some 2 shillings per English ordinary share, and the remainder paid later on in the year, its amount depending on the earnings of the company.

A valuable feature of "Shell's" financial policy has been its issuance of rights to subscribe to new stock at prices well under current market quotations, giving the rights considerable cash value. For instance, in 1917 and again in 1919 stockholders were given the right to subscribe to new stock at £1, when the selling price of the stock varied from £5 to £10. In 1918 the company distributed a stock dividend of 60%.

The great financial strength of the "Shell" company is best shown by its accumulation of a reserve account, according to the 1918 balance-sheet of £1,000,000 and a profit and loss account of £1,136,877, together with an understatement of assets which must be important. Controlled and allied oil companies for 1918 were carried at £11,019,819 and earned in that year £2,771,903, or almost 25% on the investment, indicating that its actual worth is some three or four times the book value. These reserves are carried independently of the reserves of the subsidiaries, which must be considerable, judging from the reserve of 59,000,000 florins carried by the Bataafsche Petroleum Co. to cover possible losses on its Russian investment of 56,805,424 florins. This same company had also an insurance fund of Fl. 49,000,000 and a depreciation fund of Fl. 92,000,000, while its property account stood at only Fl. 130,227,204.

The chairman of the board stated last year that the total cash resources of

(*Continued on page* 653)

Chicago Sees Hope of Easier Money

Failure of Crop-Moving Pressure to Develop Puts New Courage Into Merchants and Manufacturers

By **ROBERT H. MOULTON**

THE marketing of crops in the West is progressing favorably, with farmers receiving good prices for their grain, and this is a big factor in creating confidence on the part of merchants and manufacturers. According to John J. Mitchell, chairman of the Illinois Merchants Trust banking group, the crops of the United States will be moved to market this autumn and winter without any excessive strain of credit. Moving of the crops, he says, will not require any unusual amount of money this year.

It was banking opinion in some quarters several months ago that there was likely to be an extremely tight money situation this fall, so large preparations were begun. But now it appears that preparations already made will be ample. Several of the large grain concerns have arranged for larger credit than they will probably need, but such excess loans will be promptly returned to the banks and utilized.

While a strong demand for money will probably continue through the Autumn and Winter, there undoubtedly will be plenty of funds for crop moving and all other legitimate purposes. It is not likely, however, that there will be a concerted grain movement early this year.

The need of providing funds in plenty for the moving of the crops is, of course, imperative. The quick conversion into cash of the billions of dollars of new wealth created this year in soil products, will be of great importance in relieving the general financial situation. The Federal Reserve Board and the banks realized this some time ago and made preparations to act accordingly. Their task, however, can and probably will be made much easier by continued conservatism in commercial borrowing.

Labor and Industries Progressing

General reports indicate that labor is still well employed and that, except in a few instances, there is no lack of work, although in some industries the plants are on a part-time schedule. Steel plants have been hampered by the traffic conditions; but as these are improving, operations are being extended.

In many cases the roads are working their repair-shops full time in order to bring their rolling stock to a fair condition, instead of spending money for new cars. Undoubtedly some new cars will be bought, but old equipment will be made to do wherever possible.

Retail trade continues good, but there is noticeable conservatism on the part of retailers in making new contracts because of the downward tendency of prices. Manufacturers generally are said to be giving notice of higher prices this Fall and Winter, but buyers have not been stampeded into making heavy commitments. A leading wholesale house notes a cessation of extravagant buying and a tendency becoming widespread to demand the worth of the buyer's money.

That the largest demand for credit has shifted, at least temporarily, from the West to the East is evidenced in the last weekly bank statements. This situation reflects the present uncertain industrial situation, as ordinarily at about this time of the year the demand for funds shifts to the West in preparation for crop moving.

The statements of the New York and Chicago federal reserve banks were almost diametrically opposite in their essentials on August 14. In general the eastern institution showed a less favorable position with regard to the reserves, while the western bank continued to improve its positions.

Organizing to Aid Blue Sky Legislation

Investment bankers of the Chicago district, for the first time in their history, are to have an active and efficient local organization for the handling of problems affecting the bond men and the investing public in this territory. At an organization meeting of the Central States group of the Investment Bankers' Association of America, held recently, committees were appointed and plans were outlined for active work. Barrett Wendell, Jr., of Lee, Higginson & Co., is chairman of the executive committee; Eugene M. Stevens, vice-president of the Illinois Trust and Savings bank is vice-chairman; Charles F. Glore, of Glore, Ward & Co., is secretary-treasurer, and the other members are George H. Taylor, Robert P. Minton, Roy C. Osgood and James Ames of Chicago; Robert W. Baird of Milwaukee, and H. F. Clippinger of Indianapolis.

In the central group are Illinois, Wisconsin and Indiana. In the course of blue sky legislation in these States, investment bankers and the investment public have had no effective agency through which they could act and some mistakes to the disadvantage of both, perhaps, may be traced to this cause. Hereafter these interests will be in much better position to help the framers of these laws. With the question of fraudulent advertising the group will be able to cope more successfully than ever has been the case with the national association.

New Financing at High Rates

Another large piece of Chicago packing house financing was announced Aug. 20. Morris & Co. have sold an issue of $15,000,000 ten-year 7½% gold notes to a syndicate composed of the Continental and Commercial National Trust and Savings bank, Halsey, Stuart & Co., F. S. Moseley & Co., and the Merchants' Loan and Trust Company. The notes are dated September 1, 1920, and will mature September 1, 1930.

The proceeds of the note issue will be used to retire the floating indebtedness of Morris & Co., which, in common with other large industrial concerns, has found it advisable under present conditions to obtain additional working capital through a security issue, rather than through banking credits. The note issue will make provision for an unusually large sinking fund, which will retire about one-third of the total issue before maturity, or at the rate of approximately $500,000 a year. The notes are being offered for public subscription at a price to yield approximately 7¾% to investors.

This high yield offers new evidence of the present high cost of corporate financing and the unusually large return offered investors on even the highest class of new industrial securities. The attractiveness of Chicago packing house short term securities was attested in the recent public subscription of $60,000,000 ten-year 7% notes of Armour & Co., which also were offered at a price to yield 7¾%.

William R. Compton Company, the Guaranty Trust Company of New York, Halsey, Stuart & Co. and E. H. Rollins & Sons, comprise the syndicate offering $8,473,000 City of Detroit general obligation 5% and 6% bonds. This is a serial issue and matures from 1921 to 1950. The offering prices range from a 6% basis on the first maturity to a 5.25% basis on the last maturity. The issue is legal for savings banks in New York, Massachusetts and other New England States. The net debt of the City of Detroit is less than 2% upon its assessed valuation.

Bonbright & Co. and Halsey, Stuart & Co. are offering $2,000,000 Southwestern Power and Light 5-year 8% bond secured gold notes, Series A, at 98 to yield 8.50%. This company is a subsidiary of the Electric Bond and Share system, which in turn is controlled by the General Electric Company.

William A. Read & Co. have placed on the market an issue of $1,500,000 Mobile Cotton Mills first mortgage 7% serial bonds, maturing $150,000 annually on February 15 from 1921 to 1930. The bonds are guaranteed as to principal and interest by the Standard Textile Products Company, which is the largest producer in the country of light weight oilcloths and similar products. Net earnings of the guarantor company for the ten years 1910 to 1919 have averaged approximately nine times the amount required to pay interest on the bonds. The offering prices vary according to maturity to yield slightly over 8%.

The Magazine of Wall Street Will Not Accept More Advertising From the Guenther-Law Agency

Investigation of Methods Practised by That Concern Has Led to This Decision

THE function of an advertising agency, as we understand it, is to serve both advertiser and publication. This service costs the advertiser nothing—the publication pays the agency a commission.

THE MAGAZINE OF WALL STREET has the highest regard for all the advertising agencies in Wall Street and the way they conduct their business—except one. This exception is the Guenther-Law Advertising Agency, operated by Rudolph Guenther and Russell Law.

We have in the past had a good many causes for complaint against the Guenther-Law people, but no action of theirs has been so unfair, so apparently unscrupulous, and so high-handed as the case which has recently come to our notice involving the account of an advertiser whose name we will not mention, because it in no way affects the circumstances nor alters a single fact.

Certain incidents led us to examine the bills rendered by Guenther-Law to this advertiser, covering advertisements in a number of newspapers and magazines during the months of May, June and July, 1920. Enquiry into one or two items satisfied us that something was wrong, and a thorough investigation discloses the fact that these bills are full of overcharges and the irresistible conclusion is that these overcharges are not merely clerical errors

Publication	Date	Space	Our Charge to Guenther	His Charge to Advertiser	Overcharge
Magazine of Wall St.,	May 1,	2 cols.	$125.00	$187.20	$62.20
" " " "	" 15,	" "	125.00	187.20	62.20
" " " "	" 15,	1 page	175.00	225.00	50.00
" " " "	" 29,	" "	125.00	187.20	62.20
" " " "	June 12,	" "	175.00	225.00	50.00
" " " "	" 12,	144 lines	72.00	93.60	21.60
" " " "	" 26,	1 page	175.00	225.00	50.00
" " " "	" 26,	72 lines	36.00	46.80	10.80
" " " "	Jul. 10,	72 "	36.00	46.80	10.80
" " " "	" 10,	1 page	175.00	225.00	50.00

For example, one of these bills, covers items charged to said advertiser during July, 1920. Under date of July 24, it shows that Guenther-Law charged this advertiser for 144 lines in THE MAGAZINE OF WALL STREET at 65c a line, amounting to $93.60. The contract for this advertiser, made on February 7, 1920, for a period of one year, between Guenther-Law and THE MAGAZINE OF WALL STREET was at the rate of 50c per line. We therefore billed Guenther-Law for $72, covering this item. They in turn billed the advertiser for $93.60.

The absolute proof that they *knew* the rate was 50c a line, or $72.00 for the ad, is found in their own Audit Memo to us of August 10 in which they refer to this same item of July 24, claiming a deduction of $10.80 from *our charge to them of* $72.00. Their Audit Memo abovementioned said this item "should be $61.20 gross." The sum of $61.30 and $10.80 is $72.00—not $93.60, which they have charged their advertiser.

In order that other advertisers and publishers may profit by our experience, and in further proof that this was not merely a clerical error, we cite the following overcharges in the July bill, and in other bills for May, June and July.

That this is not the only case where Guenther-Law over-charged, is proven by an investigation of the charges made by them to the advertiser for copy appearing in the New York Times. This investigation disclosed that the space ordered by Guenther-Law for this advertiser was a 58-line ad once a week. The Times billed Guenther-Law for 58 lines at 52c a line in each case during the three months. Guenther-Law billed this advertiser for 60 lines covering each of these insertions. This is an over-charge of $1.04 per insertion for 14 weekly insertions.

Our contract made with Guenther-Law on account of this advertiser and the rate charged to Guenther-Law, was a straight 50-cent per line, without any discounts or rebates for time insertions.

Where a number of insertions are contracted for, and a discount allowed (which was not in this case), the advertiser is billed and allowed the discount before all of the insertions have been published. Should he discontinue the advertisement prior to the expiration of the time, he must then rebate to the publisher the discount, because it has not been earned. In this particular case, therefore, under no circumstances could we have requested a rebate from the Guenther-Law agency should the client have discontinued, and, therefore, they could have had no possible excuse for protecting themselves against such request from us by billing the advertisement at a higher rate than we charge them.

Guenther-Law has no legitimate reason for such overcharge. THE MAGAZINE OF WALL STREET allows Guenther-Law and all other advertising agencies a discount of 10% and 5%, equal to about 14½% on the advertiser's bills. This discount is the agency's compensation for the service due to be rendered both to the publication and to the advertiser. In other words, the advertiser should get, *for nothing*, the service for which the agency is *paid by the publication*.

It is customary, however, in cases where the advertising appropriation is too small to cover services rendered by the agency, for the latter to make a "Service charge." An examination of some of the bills in question discloses the fact that the expenditures for advertising by this firm in the month of May alone, were over $9000, of which over $8000 was for items which carry the 14½% commission. This indicates an income to Guenther-Law of $1160 on these items alone for a single month, and eliminates any necessity or excuse for service charges or other perquisites and emoluments which appear in these bills. We also observe, among other items, a charge for ads in the "Book of Booklets," a house organ of Guenther-Law, having a very small circulation and containing advertisements of a number of brokerage houses whose reputations are very unsavory.

An agency which takes 14½% from the publications, then over-charges the advertiser and rubs it into him by putting in Service and other charges, is playing both ends against the middle and is almost too shrewd for its own good, the good of its clients, or for THE MAGAZINE OF WALL STREET. Unless an agency performs, in a fair and honest way, the functions for which it is organized, it becomes a mere parasite on both advertiser and publication.

The question also arises: Has the Guenther-Law agency given THE MAGAZINE OF WALL STREET value, service for which this magazine has paid Guenther-Law thousands of dollars? The following statements will answer the question.

In numerous cases Guenther-Law has failed to furnish THE MAGAZINE OF WALL STREET with new copy for its clients, but has persisted in running the same copy indefinitely. This, as every advertiser and agency knows, will very soon kill the effectiveness of any medium.

It is the policy of THE MAGAZINE OF WALL STREET to solicit advertising direct from the advertiser and not from the agent. The Guenther-Law agency has persistently fought our efforts to sell space to their clients, and has resorted to misrepresentation to gain their ends. For example: An advertiser who signed a contract direct with our solicitor asked us to bill him through the Guenther-Law agency. After running copy with us for about two months, he asked us to cancel his contract. On investigating the cause for his action, we found that he was displeased because we had reprinted his old copy. It later developed that Guenther-Law had not sent us the new copy, but had allowed us to print the old copy and to take the blame, and, in the face of this, urged the advertiser to cancel the contract with us and place it with the *Financial World* instead.

A New York Stock Exchange house recently placed a contract through the Guenther-Law Agency for six consecutive insertions of an advertisement in THE MAGAZINE OF WALL STREET. After three

insertions Guenther-Law instructed us to discontinue the ad. Investigation proved that the house had not ordered the cancellation. The managing partner was astounded at Guenther-Law's action. He said that he was the only one who could cancel the contract and had not done so.

Rudolph Guenther knows that The Magazine of Wall Street is producing for its advertisers *by far* more results per dollar expended than any other financial publication in America. He has admitted this fact to our solicitors and to some of his clients (when he could not evade the question). Nevertheless, he has seldom missed a chance to belittle The Magazine of Wall Street to others and has otherwise endeavored to injure it in the eyes of advertisers generally, in the hope of switching these advertisements to the *Financial World,* run by his brother Louis and in which publication he is reported to have an interest. It is perfectly clear why Guenther attacks **The Magazine of Wall Street and boosts the *Financial World!***

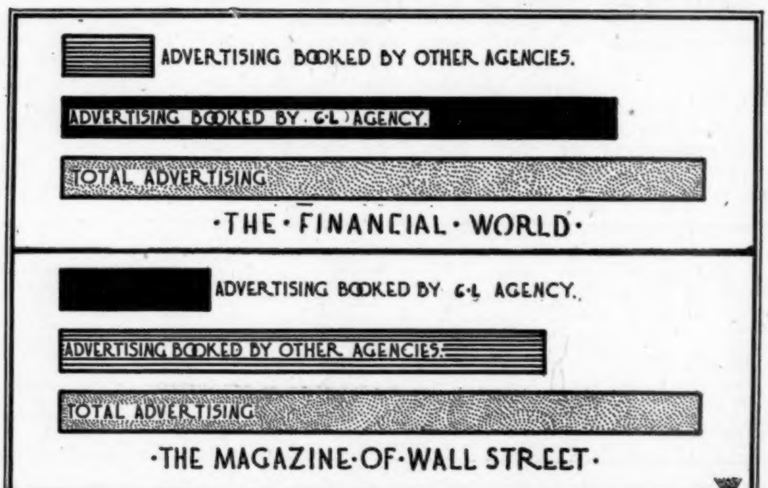
Rudolph Guenther knows that the circulation of this Magazine is several times that of the *Financial World.* He knows that the cost of advertising in the *Fanancial World,* per 1000 circulation is *three* times that of The Magazine of Wall Street!

Out of 80 advertisers who appear in each of two August issues of the *Financial World,* 68 in one and 70 in the other were placed by the Guenther-Law Agency.

Of the others, seven were placed through all other agencies, three were placed directly by the advertisers, and the other two were placed by the Guenther-Bradford Agency of Chicago. Out of the seven placed by other agencies in both issues, six appeared in The Magazine of Wall Street. This is alse true of the three advertisements placed direct.

Out of the 68 and 70 appearing in the above-mentioned two issues of the *Financial World,* and which were placed by the Guenther-Law Agency, 51 in one issue and 58 in the other did not appear in The Magazine of Wall Street.

Out of 81 ads in The Magazine of Wall Street at the same time, 62 were placed by other agencies than Guenther-Law. This absolutely proves that Guenther-Law is favoring the *Financial World* to the utmost in spite of the overwhelming opinion of other agencies that The Magazine of Wall Street is the best medium. The graph explains why.



Can it be that all the other agencies *fail to see* the value of the *Financial World,* and that Guenther-Law is the only one who *can* see it?

Does the Street believe that the Guenther-Law Agency is giving its clients honest and conscientious service when it thrusts aside what has been demonstrated to be the best financial medium, and instead throws the bulk of its influence and advertising into the columns of a paper run by his brother, which in the recent past has falsely claimed a circulation as high as 18,000 when we knew and published the fact (which was not denied by them), that they were only printing 6500 copies?

Is there any connection between these facts and the numerous attacks made by the *Financial World* against our editor and our publication?

In order that the Street may decide this question, we will, in this and subsequent articles trace out some of the business relationships which began in the late 90's when Rudolph and Louis Guenther, their father, Otto Guenther, and another brother were associated in advertising, publishing and brokerage concerns carried on under various names; how they conducted among others, the advertising campaigns of E. S. Dean & Co., 520% Miller, Goslin, Kennedy and other get-rich-quick swindles until these concerns were put out of business by the authorities. We will then leave it to the Street to decide, after the facts have been presented, whether the methods then inaugurated and long afterward carried on are still being conducted under a crafty disguise.

But to return to our subject—which is our refusal to accept any advertising business placed with us through the Guenther-Law Advertising Agency—we would like to mention here some incidents which may aid the Street in its decision.

Somewhat over a year ago, Russell Law, then doing business in his own name, but now one of the two important factors in the Guenther-Law Advertising Agency, invited our Mr. Wyckoff to dine with him. They had late that afternoon been discussing advertising, and more particularly, the then Rudolph Guenther Advertising Agency and its method of conducting business.

Russell Law had been urging Mr. Wyckoff to "tell the truth about the Guenthers." He explained the Guenthers' previous connections with concerns of questionable repute and said that although they were trying to make some people believe they had reformed since they left Chicago, he was confident that "a leopard doesn't change his spots" (to use his own words), and they were still working the same old game.

Mr. Law said, in the presence of the person who accompanied Mr. Wyckoff, "I don't mind competition in the advertising business, so long as it is *fair* competition, but the dirty underhanded methods of Rudolph Guenther are something I cannot stand. I will go to *any* expense, to *any* amount of work or trouble or effort to 'get' Rudolph Guenther, because it is impossible for anyone to meet the kind of competition he puts up. It is time the Street was made aware of the facts concerning Rudolph Guenther, his brother Louis, and the way they play the advertisers' money into the *Financial World* and their own pockets."

Russell Law thereupon urged Mr. Wyckoff to print the affidavits, covering the operations of the Guenthers in Chicago; the circumstances under which the *Financial World* was conceived, and financed by them; the arrest of Louis and Otto Guenther, his father; the damaging disclosures resultfrom the case of Guenther vs. *Everybody's Magazine,* etc. Law said: "If you will come to my office tomorrow I will show you photographs of these affidavits, and the testimony in this case which, if you will print it in The Magazine of Wall Street, will be giving these people the publicity they deserve.

The next day, by appointment, Mr. Wyckoff went to Russell Law's office. He showed him the photos in question, which proved to be identical with the affidavits, etc., which appeared in the *Everybodys'* case. He urged upon Mr. Wyckoff the advisability of printing these, "not only," said he, "because of the methods employed in soliciting advertising clients, but because you ought to get back at Louis Guenther for attacking you."

Mr. Wyckoff replied, "Mr. Law, I have had all these facts and testimony in my possession for some years, and during the period when both Rudolph and Louis Guenther were doing their utmost to ruin my reputation and the reputation of The Magazine of Wall Street. I am satisfied that the reason they are engaged in such a campaign is because of their joint interest in the *Financial World;* and the fact that my magazine has outclassed and outstripped the *Financial World* from every point of view. It is against my policy to engage in controversies of this kind and I have decided *not* to go ahead with the campaign for which you have such a strong desire."

When Mr. Wyckoff left Mr. Law, the latter was in a very disappointed state of mind because he had counted on Mr. Wyckoff to pull his chestnuts out of the fire. *(Continued on page* 649)

ODD LOTS

BROTHER EDITOR IS AGAIN ANNOYED

Brother Editor dropped in again the other day to tell us the latest—and borrow a cigar.

It seems that he wrote a fine article for a Sunday paper showing how motor trucks were going to take most of the railroads' business away from them. We know it was a fine article because Brother Editor said it was. He wrote it and he ought to know. Also, he got $200 for it, which is pretty doggoned good evidence.

So when he had a thousand pounds of summer furniture to come down from New Hampshire he knew just what to do. He had it put right on a motor truck and hauled down—no transfers, no crating, no delay, no nothing.

But when it arrived the truckman presented a bill of $200. After Brother Editor came to and got past the "Where-am-I?" stage, he endorsed the Sunday paper's $200 check over to the truckman. Then Mrs. Brother Editor called up the railroad and found that the rate on household furniture from New Hampshire was 63 cents per cwt., which would have made a total bill of about $6.30. She said—but let that pass. Our space is limited, anyway.

So we said, well, what that amounted to was getting $6.30 for his article, which was probably just about what it was worth, and he left, highly insulted and carrying off another of our cigars.

Journal of Commerce says each member of House of Representatives costs the country $25,000 a year. If you reckon the indirect cost as a result of the votes he casts, this should be corrected to $10,025,000 a year.

JUST WHAT WALL STREET NEEDS

A "New Bull Association" has been formed at Starkville, Oktibbeha County, Miss. Here's hoping that the movement will spread from Oktibbeha to Wall Street.

LIQUIDATION IN LEATHER (!)

Sign on Nassau street: "BIG CLEARANCE SALE OF SHOES—Reduced to $19.40 a pair."

THOSE MELONS

Small Boy—Papa, what kind of melons are those stock dividend melons it tells about in the paper?

Papa—Those, my son, are watermelons.

A GOOD THING

Madge—They say he's a Wall street lamb.

Marjorie—I'm glad you told me. He's beginning to make sheep's-eyes at me.

DIFFERENT

Ted—Did any of the oil companies you invested in turn out to be gushers?

Ned—No; the only gushing was in the advertisements.

CLASSIFIED

Willie—What kind of a man is an optimist, dad?

Crabshaw—He's generally the fellow who is getting money from the pessimists.

A HINT TO THE T. B. M.

A recent dramatic review in the *Times* notes that in spite of the extremely high temperature and great humidity, the chorus did not seem to be suffering from the heat.

(Applications for the name of this show will be answered in the order received.)

"The Promoters"

THE GREATEST HERO

The town went wild over him.

There were parades, theatrical performances and banquets in his honor.

The freedom of the city was granted him.

Little girls strewed flowers in his path and bigger ones mobbed him for the privilege of a kiss.

Public speakers eulogized him and civic societies said they would erect statues to him after he was dead.

He wasn't a movie star, a Presidential candidate, a war hero, or a pugilistic champion.

He had not established a new altitude record.

He had never bucked the Hindenburg line, struck it rich in the oil fields or hit on a plan to knock out the Prohibition law.

All through the war and during the period of reconstruction he had contented himself, merely, with doing his duty as he saw it.

Why did his fellow-citizens acclaim him—make a hero of him?

Because, he was the man WHO HAD NEVER GONE OUT ON STRIKE!

NEW STREET PHILOSOPHY

If all these new promotions were as good as advertised their backers wouldn't be begging people to go into them.

* * *

Perhaps the reason there isn't as much sober second thought in this country as there used to be is that these days we are supposed to be sober all the time.

* * *

The man who builds castles in the air will never qualify as the architect of his own fortune.

* * *

No wonder there's a shortage of oil. Most of the companies you hear about never produce any.

* * *

Some of the things money can't buy can be acquired by giving your money away.

* * *

The only people who manage to make money out of tips are waiters.

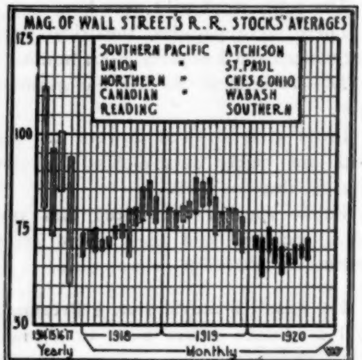
Trade Tendencies

Prospects of Leading Industries as Seen by Our Trade Observer

Railroads

Rate Increases Meet Opposition

That some state public service commissions do not share the attitude of the Interstate Commerce Commission, the shippers and a good share of the general public was shown by their refusal, in certain instances, to permit the railroads to apply to intrastate traffic the rate increase recently awarded by the I. C. C. for interstate traffic. In most of these cases the increases have been contested only as far as passenger traffic is concerned, sometimes also the excess baggage and milk and cream increases or part of the freight increases. Statutory limitations which the commissions allege they cannot override are pleaded by some of the commissions, though this position has been attacked on legal grounds.



To Aug. 25

In some states hearings are being held by the state bodies, decision meanwhile being suspended. Should the dissenting commissions remain inflexible, the matter will undoubtedly be brought before the courts. In the meantime, the point has been made that the I. C. C. made its original rate award on the assumption that intra-state rates would be moved up together with interstate ones. Should they fail to do so, there would be a deficiency in the expected increased revenue which would probably have to be made up by still further increases in interstate rates. While this was going on, all sorts of irregularities and inequitable relations would prevail in the rate structure, to the undeserved disadvantage of some localities and some industries.

The rate question, therefore, cannot as yet be regarded as settled in certain vital particulars. The outlook is, too, that it will take some months before finality is reached on the disputed points, as the grounds of dissent from the Commissions' act vary with the different states.

On the operating side, there is no doubt but that the railroads have made a very good showing since the last month or so, though it is doubtful whether the goal set of 30 car-miles a day has been reached. The results have been shown in a decided though not by any means sufficient clearing-up of congestion, and consequent freer movement of commodities.

Taking industry by and large, it is a question whether the tendency toward lower prices caused by the larger supplies available when traffic is loosened may not counterbalance, partially at least, the tendency toward higher prices caused by the actual freight increases themselves. Of course this will work out differently in different industries, the bulkier commodities of low specific value, such as coal or steel, being affected by rate increases more than commodities like clothing or machinery.

The improvement in transportation referred to is particularly significant because the railroads have been doing comparatively little buying of equipment to date, certainly not as much as the majority of the estimates current some months ago. The policy of the operating executives has rather been to conserve the present equipment, repair as much as possible, and withhold buying for the time being.

THE average investor has neither the time nor the opportunity to follow developments in the various industries, although such developments at times are of vital importance in the consideration of the long range prospects for securities. This department will summarize and comment upon the tendencies in the more important trades as expressed in the authoritative trade publications and by recognized leaders in the various industries. As the general tendency in a given trade is but one of the many factors affecting the price of securities representing that industry, the reader should not regard these trade tendencies alone as the basis for investment commitments, but merely as one of many factors to be considered before arriving at a conclusion.

Railroad finances will probably be strengthened by the broader loan policy expected of the I. C. C.'s revolving fund, while the rate increases of course have put their credit on a sounder footing. The increasing firmness and activity of railroad securities, both stocks and bonds, illustrate the increasing confidence of the country in the future of the railroads.

Steel

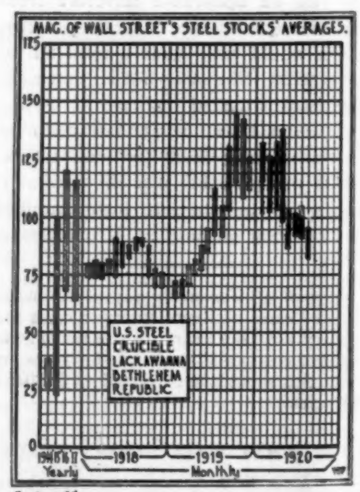
Effects of Rate Increase

The railroad rate increase that went into effect August 26 has naturally affected the steel industry because of the bulky character of its products and the consequent comparatively high ratio of transportation costs, both for raw materials and finished products, to selling price. So far, the tendency has been to add the increase in freight rates directly on to the old price, although it is believed that in some cases the differential will be absorbed.

Activity in the steel industry is still great, in spite of cancellations from automobile and allied manufacturers, but to a small extent the movement toward lower prices is beginning to show its effect. For instance, "crude" and semi-finished steel for export has shown a drop below prices prevailing at the beginning of the year, and certain lines such as sheet bars are lower for the domestic market. A reduction in an important item of costs is expected as the price of coal goes down, though coke has not shown much of a softening tendency as yet. As production goes up and accumulations of steel long held back from the market by traffic congestion begin to appear, the tendency will probably be toward some easing of prices, though not necessarily for all lines.

In tubular products and wires and nails, for instance, the firmness which has been characteristic all year continues, and price advances, even independently of the freight advances, would surprise no one. Plate and shape mills, on the other hand, could quite conveniently take care of considerable new business, and may find it necessary to shade prices to obtain it.

The increasing activity in steel production, due to the gradual relaxation of the transportation stringency, has caused a broader demand for pig iron to materialize, and as a result stocks have been cut down and prices firmer, $50 being about a fair prevailing price. With an increase in pig iron production believed imminent and fuel costs coming down, steel men consider the peak of pig iron prices reached and expect a long slow decline to set in.



To Aug. 25.

Export trade has not held up well, for a number of reasons. The unsettled European political situation, both in itself and as affecting foreign exchange, and the failure of European industrial activity to reach quite the levels of activity anticipated earlier in the year, have caused some disappointment in the in-

(*Continued on page 640*)

Trade Tendencies

(Continued from page 638)

dustry, particularly as conditions looked very good only two months ago or so. The accumulation of stocks originally destined for Europe, however, has not been much of a market factor in view of the much greater weight of other considerations.

While prices may temporarily hold very firmly because of the increased freight rates, indications suggest that generally speaking, in all but a few lines, steel and iron prices have about reached their top for some time to come, and that the next price movement will be a slow and steady process of deflation, with independent operators' prices tending to approach the Steel Corporation's, and a heavy backlog of unfilled orders all around acting as a cushion to lessen the shock.

Coal

Is the Boom Over?

The recent break in coal prices has a complex mass of causes, growing out of the abnormal conditions existing in the industry since the strike of last year. Prices in the last two or three months had been forced up artificially and excessively on the basis of a large export demand, car shortage, and consequent decreased production. The price deflation which is now on its way, apparently, is based on changes in each of these factors.

Foreign demand has been very slow for the past week or two, in expectation of lower prices and to some extent because of unfavorable developments in European politics and exchange. Domestic demand has also fallen down to a notable extent because of the beginnings of industrial depression. The transportation situation, while still a long way from what would be desired, is showing signs of considerable improvement, and concomitantly coal production has shown an upward tendency, interrupted, it is true, but still sufficient to keep the 1920 production to date well above the 1919 figure.

A conspicuous incident of the revolt against the unjustifiably high prices charged for coal, particularly for bunkerage purposes, was the statement by Admiral Benson, head of the Shipping Board, to the effect that profiteering was rampant and that he would take steps to put it down. While perhaps not sufficient in itself to make much market difference, the statement came at a time when the excessive advance, the weakening demand, and the increasing output with better traffic conditions and coal priority orders combined to put coal as a commodity in a decidedly weak technical position.

Another element of considerable importance was the creation of a large and unstable speculative class, composed largely of men entirely foreign to the industry and the trade, attracted to coal speculation by the rapid advance and the possibilities of huge profits. While frowned upon by the regular operators and distributors, this element had its opportunity in the emergency demand from abroad and from shipping men who were often too anxious to get coal to worry about prices or the effect of their trading tactics in disorganizing the regular channels of coal distribution. One way in which this anxiety worked out was the habit developed by a number of coal consumers of placing orders for their full requirements with a number of different distributors so as to make sure of getting their supply. At the same time, however, they created an apparent demand of several times the size of the actual buying, with the deliberate intention of breaking their obligations with the trade once they had obtained their supplies from one source. Similar practices have been reported on the part of operators and wholesalers, who have "gone back" on contracts in some cases to take advantage of higher prices obtainable elsewhere.

A disturbing feature of the coal situation at the present time is the outlook for labor unrest spreading from the West Virginia and central competitive fields, where it has been localized hitherto, to other fields, possibly eventually becoming an actual menace to the continuance of production on its present scale. The danger is particularly threatening as it may come close to the time of maximum demand in the Fall and Winter. So far there has been little success to the attempts of operators and labor representatives to straighten out matters at the points where the dispute is most acrid, and some apprehension is being expressed throughout the trade on this point.

Barring a resumption of serious labor difficulties, the outlook is that coal will continue to go down, as present prices are still far above the estimated cost figures shown by the reports of the Federal Trade Commission. Although these reports are not as full as they were, since the Commission was denied the power to compel cost statements, it is believed they give a good picture of the industry from the producing end. They indicate that West Virginia coal laid down at tidewater should not cost more than $5.40, in the light of which facts present prices look entirely too high.

Copper

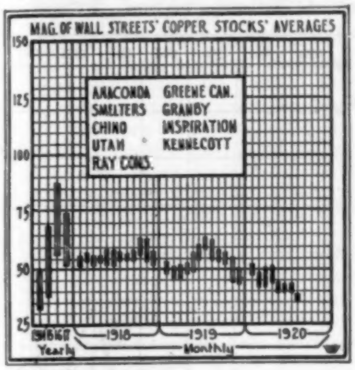
Signs of Improvement

Although the copper market has remained a lifeless affair its technical position has improved somewhat during the first half of August. Production has been still further curtailed, in some cases below the prevailing 50% capacity. Delayed deliveries of refined copper sold late last year have eaten a hole into the surplus stocks, so that the refined surplus, which was placed at 700,000,000 pounds, is now estimated to be about 490,000,000 pounds. Furthermore the export demand seems to be picking up. There has been some new business with Norway and France, and some active trading on the London market in American standard and Electrolytic.

There has been very little business in the local market at 19 cents spot. Prices

are still weak, and are being shaded a half cent or more in many cases. At times there has been active trading on the "outside" in small lots at 18½ cents.

The truth is that there has been only a slight domestic demand for copper just now. The brass and wire industries are in rather poor shape though some improvement is reported. Revisions of production schedules by automobile manufacturers have reacted unfavorably on the demand. For instance, one of the largest brass manufacturers in the east received sufficient cancellations to make him "long" on raw copper for the rest of the year. Stocks are down but so is the consumptive demand. In case of an increase on the part of the latter it is more than probable that prices would stiffen immediately, on account of the strong position which copper holds.



To Aug. 25

Many copper men think that the reason for buyers' holding off is that they are waiting to see what result the higher transportation costs, following the recent freight increases, will have upon prices.

So far as one can see at present, the producers will have to pay higher rates on all copper shipped from western smelters and on all mine supplies and smelter supplies. This will necessarily increase the cost of producing copper a cent or more per pound. With such a rise near at hand, a fairly strong buying movement can be looked for shortly, since the present market does not even reflect the ordinary commercial and industrial need for copper.

Rubber

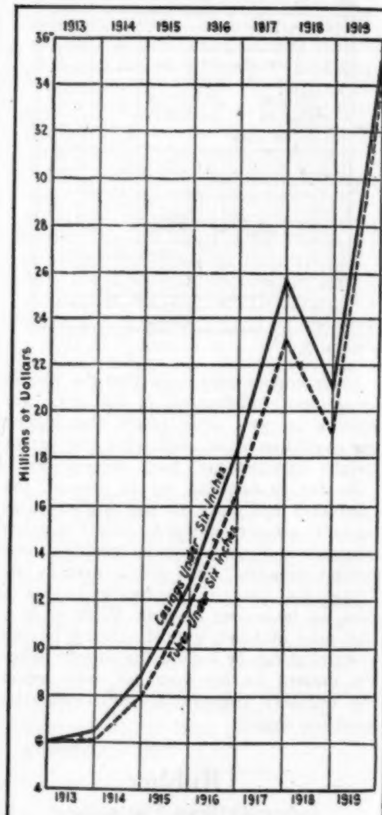
Increasing Price Fluctuations

Recent price movements in the rubber market have been attracting some attention of late, particularly in view of the previously lifeless character of the trading. Following the establishment of a new low for smoked ribbed sheets, the index of the market, on large domestic forced liquidation and the drop in foreign exchange, the market hardened and went up almost 4 cents a pound in two weeks.

Favorable cables from London and the Far East, together with renewed talk of a prospective decline in new rubber production, appear to have been the cause of this move. Foreign support gave out quickly, however, and more than half of the advance was lost. The position of rubber appears to be fundamentally weak

marketwise, and any rallies that come up are only temporary.

Overproduction, both of the raw material and of the principal product, tires, is conceded by most rubber observers, though the claim is being advanced that the decline of the plantings of new rubber trees following the collapse of the boom of 1910 will have its effect as the years go on in decreasing new production as fewer trees come to maturity. The state of overproduction in this industry, however, bids fair to remain chronic, because even at the present low prices it is believed profitable to plant rubber in many territories of the Far East where it is not being grown today. This is particularly true of the Philippines, where experiments may soon be under way to determine the advisability of planting large rubber plantations and, according to the suggestion of Luther Burbank, perhaps doubling or



PNEUMATIC TIRE AND TUBE PRODUCTION.

multiplying by ten the rubber content, amounting to some 7%, of some of the plants now available. A shortage of rubber is therefore, in the light of present conditions at least, highly unlikely.

Somewhat similar conditions exist in the tire industry. The margin of profit in the past has been attractive enough to encourage a large influx of new capital and consequent heavy production, gradually cutting down the margin of profit. Prices were kept low by the competition in the face of advancing costs of labor, raw materials like cotton and chemicals, in fact everything except the rubber itself. Of course steadily improving manu-

facturing processes enabled the companies to live, and in many cases even cut their prices while certain of their costs were advancing.

In addition to price, another form of competition which was highly developed in the tire industry was that of quality and service, principally in the direction of longer life for the tire. The natural result of the production of better tires of course has been that proportionately fewer of them are needed. This condition, together with more temporary considerations such as the poor motoring weather during the best part of the season and the necessity for the rationing of gasoline for pleasure cars, has caused an apparent overproduction in the industry, though of course, provided production facilities are not further increased, the increasing output of tire-equipped motor vehicles of all sorts will tend to absorb the present excess of productive capacity.

Another factor of weakness in the rubber industry at large has been the failure of Europe, particularly the Central portion, to absorb anything near the huge amounts that were expected to be demanded by a Europe starved of rubber during the war. A situation in respect to foreign trade exists somewhat analogous to that of copper, in which the failure of the European demand to come up to expectations has been one of the most potent elements of weakness in the domestic market.

Mechanical rubber goods, and more particularly rubber footwear, have shown a much stronger market action, the tendency here being for prices to advance on well-sustained demand and no surplus production, with a fair foreign demand. With the increasing utilization of rubber made possible by the new Peachey process of vulcanization, which is said to be capable of producing rubber products of all kinds of texture and physical qualities, leather may be threatened as a material for shoes, and certainly this whole department of the industry promises to make a good showing, except insofar as it may be affected by general business conditions. For crude rubber, however, there appears to be little prospect of a sustained price advance, and improvement in the position of the tire industry, while more nearly in sight, will have to wait for some time and is conditioned on a cessation, for the time being, of manufacturing expansion.

Oil

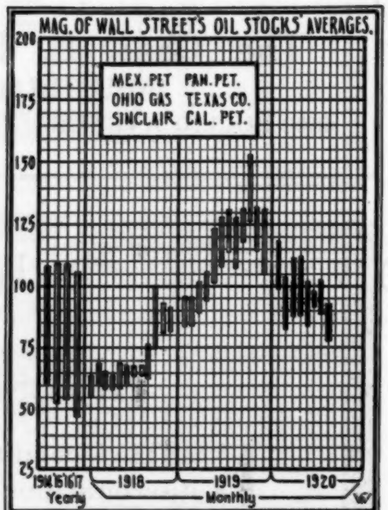
Uneven Resistance to Price Deflation

While the oil industry has shown more resistance than most of the factors operating in the direction of lower prices, some impression has been made. For one thing, cylinder and lubricating oils are weaker marketwise, price concessions having been found necessary to stimulate business. Export trade in these products has shown a particularly marked falling-off, while much the same is true of domestic business.

Fuel oil, whose short supply was a matter of general comment some months ago, is now available in much larger quantity, although no signs of real overproduction are as yet apparent. It is significant, however, that the Shipping Board's tenders

met much better response than last time, and market quotations have shown some weakening tendency. In this case, it has not been so much decreasing demand as increasing supply that has caused the market softening, although for some time to come it will probably be a closely-fought battle between producers and consumers in this line. The increasing use of fuel oil is a fact, and is being extended into many new fields, and as more vessels use oil as fuel, more oil will be needed for shipping fuel stations. At the same time, prices are now so high as to stimulate efforts to increase production from all sources, by the more intensive development of proven fields, by active wild-catting operation in the United States and widely-scattered countries like Alaska, South America and the Far East, and perhaps eventually by the utilization of the large shale deposits of the West.

Kerosene has also suffered a notable market drop, in the face of a lively export demand. Foreign buying has been stimulated by the shortage of coal and of gasoline, for both of which kerosene can be substituted in a number of uses. Overproduction, or at least increased production, has caused the drop. Gasoline is probably in the strongest market position



To Aug. 25.

of the whole list of petroleum products, on the strength of sustained demand, both domestic and foreign, and prospects for increasing use in automobiles, trucks and tractors, and probably aircraft. At present consumption and production appear to be fairly well balanced, as the market is holding up well in spite of increased production, while the talk of gasoline shortage is tending to subside. There is considerable irregularity of distribution geographically, as supplies are scanty in the Far West, to the point where Oregon has had to repeal its law specifying 56 degrees as the specific gravity minimum for gasoline, and rationing is common, both official and unofficial. In the East, on the other hand, especially near the Coast cities, stocks are plentiful.

At the same time few dealers care to carry much larger stocks than they have to, because of the money stringency. Price tendencies are not so clearly defined as to be a very safe guide to distributing policy, but statements like those recently attributed to a science professor to the effect that gasoline will sell at 75 cents within two years do not seem warranted by present conditions. The outlook for the immediate future, at least, is for practically stable prices, with perhaps a slight downward tendency, particularly in the case of gasoline when the seasonal Summer demand weakens.

Tobacco

Large Crops Expected

From every section reports on tobacco indicate that a big crop is expected this year, while prices to the farmer are well maintained largely because of the high quality of the crop to date. At the same time, wholesale prices of leaf tobacco show a considerable decline, estimated at some 40% since last February, and exports show a considerable decline. It is believed that foreign buyers of American tobacco are temporarily overbought, British supplies being said to be sufficient for a year and a half ahead.

In view of these facts the continued strength of retail prices of tobacco products is scarcely explicable except on the basis of the usual slowness of retail commodities with a standardized price to move downward following a slump in wholesale prices, and also on the basis of a strong organization of distributing interests. Financial stringency may have its effect on even the strongest concerns, however, and the outlook is that stocks will be taken out of warehouse on a larger scale and attempts made to push their distribution.

Tobacco and its products being relatively high priced are little affected by the rate increase, the main difficulty being to get transportation at any prices. The use of motor trucks has been found peculiarly economical, though inadequate. Loosening of the transportation tie-up will be a further force acting in the direction of lower prices for tobacco products.

Moves toward reduction of acreage for the 1921 crop have been discussed, but seem to have been voted down by the planters. The usual plea that prices are out of line with production costs has apparently not been successful in this instance. In spite of the estimated record-breaking crop of 1,500,000,000 pounds this year, the farmer has found that prices need not necessarily decline to a point where tobacco-growing is unprofitable. In fact, his experience this year has been quite the other way.

Under these conditions, with wholesale prices dropping and an active demand for their goods, tobacco manufacturers are going through a period of prosperity and accordingly none too eager to reduce retail prices.

INCREASING OIL PRODUCTION

Daily average production of oil in the U. S. for June was 1,240,633 barrels. This is the largest ever recorded.

Greatest increase was scored in Oklahoma, where the daily average production for the month increased by 18,000 barrels.

Answers to Inquiries

UNITED LIGHT & RY. 5s

Well Secured—Earnings Satisfactory

A recent item on this bond has given rise to some misunderstanding. The bond is well secured by mortgage and collateral and is entitled to a good rating. The company's gross earnings have shown a steady growth, and although net earnings have not risen in the same proportion, they have shown gradual increases. For 12 months ended April, 1920, earnings of $2,216,803 were available to cover interest charges of $805,915 on these bonds and the three series of 7% notes. This was nearly 2¾ times the interest requirement for these securities.

U. S. RUBBER

Sidelights on the Industry

U. S. Rubber is undoubtedly reflecting, in its price movements, the present depression in the industry, and the unprecedented low prices for rubber.

The question is, whether the price of U. S. Rubber Common has not already pretty fully discounted the worst phase of the situation. In our opinion, the stock is selling low enough, and we believe that anyone who purchases it at or around the current price level will be rewarded eventually. It is possible that the price will sink somewhat lower before permanent improvement in the industry sets in.

UNFORTUNATE MAXWELL

May Overcome Difficulties

In connection with the recent heavy decline in the prices of Maxwell Motors Company shares, it was stated that failure to promptly ratify the negotiations which have been for some months pending between the Maxwell and Chalmers interests, had resulted in the postponement of the company's definite financial plans, and this had been responsible for the rather serious conditions recently confronting the company. It was stated also that the company was suffering from over-production, and that it owed some $11,000,000 to banks. It was reported also that pending completion of the adjustment plan, which among other things calls for issuance of $10,000,000 to $15,000,000 notes to provide for these bank loans, some of the plants of the company had been shut down, presumably for inventory taking.

Although the affairs of the company apparently are in a critical state, nevertheless there is reason to believe that the difficulties will be overcome gradually. Assurances are given by the management that with the joining of strong financial interests, comprising prominent financiers and leading factors in the automobile industry, and with the settlement of negotiations between the two corporate interests, namely the Maxwell Motors Company and the Chalmers Motors Company, there will be a speedy return to normal operating conditions. It is possible nevertheless, that in order to clear up the company's financial obligations and put the company in a stronger financial condition, an assessment may be levied upon the shareholders.

CURTISS AEROPLANE

War Possibilities

In view of the fact that the Curtiss Aeroplane and Motor Corporation, has found it necessary to discontinue for the time being, the manufacture of commercial aeroplanes at its Buffalo plant, because of failure of Congress to protect the American industry from the dumping of British war planes on this market, it is not surprising that the directors of the company found it expedient to defer action on the preferred stock dividend which was due on July 15th last. The reason then given was the desire of the directors to conserve working capital at this time, but it is understood that the dividend was merely deferred, not passed.

In view of the circumstances, it is not likely that the company will call any of the preferred stock this year at 110, as it did last year. At present, the preferred is quoted at 45 offered, with no bid. The last recorded sale was at about 47. As there is a possibility that the company may yet resume preferred dividends, we would hardly care to suggest a sale of the stock at the present low levels. Moreover, as a result of the extremely critical situation abroad, there is a possibility, at least, that the company will again taste some of its war time prosperity. For this reason, we would continue holding the stock for a while.

SEABOARD AIRLINE 6s

Not So Strong

Seaboard Airline 1st con. 6s, series A, 1945, of which $27,273,500 are outstanding, are secured by a 1st mortgage on

416 miles of road, appurtenances, equipment, securities, etc.; also collaterally secured by pledge of $30,507,000 Seaboard Ref. 4s, 1949, which securing mortgage covers 3,047 miles. Total amount authorized is $300,000,000.

The terms "Series A," as applied to these bonds, refers to the fact that this issue represents the first of the amount authorized to be sold to the investing public. The term "Consolidated" obviously refers to the fact that these bonds are a collateral participating lien on the 3,047 miles covered by the Refunding 4s, of 1959, through pledge of $30,507,000 of $50,511,000 outstanding. The 6s also are subject to $12,775,000 1st 4s of 1950, and to other underlying liens aggregating about $36,700,000.

Owing to the fact that the 1st and Consolidated 6s of 1945 are not listed on the N. Y. Stock Exchange, we cannot furnish the high and low prices of the past twelve months. In 1919, they sold between 75 and 70, and in the early part of the current year, we understand they sold as low as 66.

Considered from various standpoints, we do not particularly favor this bond. Interest on the bond has been paid regularly in recent years, as well as on other junior issues, although the interest on the latter has not been earned. Moreover, the prospects for the company are not altogether bright, and it is not yet certain that the road will escape another receivership. At any rate, we consider the St. Louis-San Francisco adjustment 6s, now selling around 61½ as a safer issue, and one having much better speculative possibilities as well.

THREE UTILITY BONDS
Good Possibilities

American Water Works Coll. T. 5s, 1934, are not entitled to a first-class rating, since they are not a mortgage, but are secured by deposit and pledge of common and preferred stock of subsidiary companies. For the past several years, the earnings of the company have not been good, but in the last year or so, earnings have improved appreciably, and are still improving, so that there is reason to believe that not only will the company be able to continue indefinitely, payment of interest on these bonds, but that improvement in earnings will sooner or later be reflected in the price of the bonds.

Utah Power & Light 1st 5s 1944, and Pacific Light & Power 1st Mortgage 5s of 1942, are both entitled to a good rating, and we believe that those who purchase them at the prevailing comparatively low prices will have reason to congratulate themselves in the not distant future.

GASTON, WILLIAMS & WIGMORE
A Better Outlook Probable

So heavy has been the fall of Gaston, Williams & Wigmore stock in the last several weeks, that we believe it would be almost folly to throw holdings held at much higher prices overboard now. The financial position has improved perceptibly in the last several months, the company having important financial connections with one of the large trust com-

panies since the first of the year, so that the recent decline in the price of the stock would seem to be more associated with the weakened technical position of the share list as a whole, than with any recent development in the company itself. There has been some talk that the directors had deemed it advisable to reduce the company's capital from $12,000,000, to a figure more in line with its net worth, when the losses, for which reserves have been provided, have been thoroughly determined. As a matter of fact, the directors of the company are now considering the desirability of this move, so that it is probable that the stock has sold down in anticipation of a reduction of the capital.

It is extremely difficult to figure the asset value of the company's shares. Assets which are given as $24,063,346, are made up largely of bills and accounts receivable, and of other securities, whose net worth cannot be readily ascertained, so an estimate of the asset value of the stock would seem more or less conjectural. In the same balance sheet, however, namely that of April 30, 1920, the capital stock is figured to have a value of about $40 a share, on the 300,000 shares outstanding. And yet, the company reported a profit and loss deficit of $4,931,197. Anyhow, we think that about $30 a share would represent a very liberal valuation for the stock.

From what has been stated, it would appear to be the part of wisdom to retain holdings for the time being at any rate. Certainly they can hardly be expected to fall much lower than last week's low level, while the chances are that the shares will do better in the not distant future.

FEDERAL MINING PREFERRED
Attractive Specvestment

Federal Mining & Smelting Pfd. we consider an attractive specvestment. The high for this year is 40, and the low is 26¼. The company's earnings showed improvement, as is indicated by the action of the directors in declaring dividends on the preferred, ¾% March 15th and one of 1¾% on June 15th. As you state, the 15¾ cumulative dividends makes the stock attractive.

The company has no bonded indebtedness. The amount of the 7% pfd. stock outstanding is $12,000,000. The report for the quarter ending January 31, 1920, showed excess of receipts over expenditures in operations, of $271,289, as compared with $121,505 for the preceding quarter.

The 1919 balance sheet showed assets of $20,873,000. Of this amount, $18,000,000 is applied to mines, lands, and equipment, cash $271,808 and profit and loss surplus of $601,818.

SINCLAIR & ARMOUR BONDS
Look Attractive

Sinclair Oil 5 Year Secured 7½% convertible gold notes, 1925, of which $50,000,000 as outstanding, are convertible in the ratio of 10 shares of 8% cumulative sinking fund pfd. stock (par $100 each) and 2½ shares of common stock, without par value, for each $1,000 notes. These notes are redeemable also upon 60 days' notice, at 105 and accrued interest, on or prior

to May 15, 1921, and thereafter at 1% less for each year or part thereof, after May 15, 1921. We regard them as a good security, and the fact that they have dropped so low in recent days, is to be attributed rather to the selling on the part of the syndicate which underwrote the notes, and which found itself loaded up with more of them than they cared to carry, rather than to any particular weakness in the notes themselves.

Armour & Co. 7% Convertible Notes, 1930, of which $60,000,000 are outstanding, are convertible on or after January 3, 1921, at par, into the company's class A common stock ($25 par value), interest to be paid to date of conversion. The notes are not secured by mortgage, but we consider them safe nevertheless, as the indenture under which they were issued provides ample safeguards for investors.

THE MARINE ISSUES

Shipping Rates Affect Earnings

International Mercantile Marine has outstanding at present, $49,872,000, of an authorized issue of $60,000,000 of common stock, and $51,725,500 6% cumulative preferred stock, of a total authorized issue of $60,000,000. There are also outstanding $38,250,000 1st Mortgage and Collateral Trust 6% Bonds, and about $9,329,000 Debenture Bonds of constituent companies. The American International Corporation is said to be a large holder of both common and preferred stock.

What gives particular value to the preferred stock, aside from the assets back of it, is the fact that there is now 42% in arrears on that issue. Deducting this accumulation, the preferred at the present price, around 72, would appear decidedly cheap, and no doubt, that is the case, as the company's assets, both fixed and quick, are undoubtedly greatly in excess of the amount indicated by the present price of the stock. What the asset value of the common stock is, is a matter of conjecture, concerning which there is a rather wide divergence of opinion. Some statisticians place it as high as $75 a share; but we are of the opinion that about one-half of that figure would be approximately correct.

Marine 1st Mortgage and Collateral Trust 6s, due October 1, 1941, of which $37,806,000 is outstanding, are secured by a first mortgage on all the property of the company, including ships, dry docks, and terminals, and are further secured by deposit of stocks and bonds of its various subsidiary companies. The issue is well secured, both as to property and earnings in our opinion, and at current prices may be considered to have such speculative possibilities.

There can be no question that the recent weakness in the common and preferred stock of the company, has been associated with reports of a considerable falling off in the demand for shipping space. In the early part of the year, the President of the company was quoted as saying that earnings of the company were running about 25% or more in excess of last year's receipts, but since that time, it is generally agreed that the demand for shipping space has shrunk perceptibly, and the earnings of shipping companies likewise. To what extent they have fallen off, cannot of course, be determined until the latest earning statements of these companies are available.

We believe that the outlook for the shipping companies is not altogether encouraging. Perhaps, if there should be a resumption of the World War, the outlook would be altogether changed; but barring this calamity, the shipping companies, in all probability, will be confronted with a period of lower earnings.

U. R. INVESTMENT

The Preferred Seems Low

United Railways Investment's total bonded funded debt amounts to $17,292,000. The Preferred 8% Cumulative stock outstanding amounts to $16,000,000. Common stock, par value $100, outstanding $20,400,000. Preferred stock dividend certificates outstanding $1,462,500.

The accumulated dividends on the preferred stock amounted to 65%—January 2, 1920. No disbursements have ever been made on the common stock. There is also outstanding United Railways Investment Company Conv. 6s, 1930, $790,000. This is convertible into common stock at par before June 1, 1903. It is reported that since the reorganization of the railways in San Francisco, the earnings of the company have been very much improved.

The preferred stock has been quoted from 22 down to 15, for the low, and as high as 49¼ since 1914. The common went as low as 4¾ in 1917 and 1918. Today's quotations showed the preferred at 16, and the common at 7½. The preferred

CUT DOWN TAXES!

(*Continued from page 595*)

issue a five per cent bond against the four per cent mortgage endorsed by Great Britain and France.

"By selling the five per cents to investors an enormous burden would be lifted. Actually and sentimentally the effect would be incalculably beneficial. The prestige of the present government would be greatly enhanced for nothing helps a nation so much as a smaller debt and lower taxes. I would also urge the refunding of the Government bonds. Give the people who bought these securities one hundred cents on the dollar. Consolidate the various issues and make the consolidated debt of serial maturity. Besides satisfying American investors, the scheme would relieve Federal Banks fifty per cent of whose loans are represented by Government obligations. With the Federal Banks thus relieved, we would be assured of a normal money market, a prospect of inestimable blessing.

"The surtax and excess profits tax are well enough in war time, but it is clearly demonstrated that in a post-war period the imposts are positively impending to business and, as a consequence, detrimental to the general welfare of a nation. While we are fighting, patriotism and sacrifices are noble, but with the war won and out of the way men must have another incentive to speed up their affairs. The way to encourage acceleration is to assure fair returns to ability and enterprise. As it is, there is not much encouragement in the certainty that the Government will take most of your profits in what promises to be a long peace epoch in the United States."

stock offers a speculative chance at its present price, on account of the accumulated dividends. There would seem to be no value to the common stock in view of the company's past records.

FIVE ATTRACTIVE BONDS

We suggest the following bonds, yielding about 7%, if held till maturity, as safe investments, but with excellent speculative possibilities:

Pacific Gas & Electric 5s.
New York Dock First 4s.
New Orleans Terminal 4s.
St. Louis-San Francisco Prior Lien 4s.
St. Louis Southwestern Cons. 4s.

We regard the 1st pfd. stock of the Oriental Navigation Company as a fairly good investment. It is true that the outlook for the shipping industry is not altogether favorable; but we see no reason why the company could not afford to pay the 8% dividend on the 1st paid pfd. stock indefinitely. It is less "active" than the listed issues on the N. Y. Stock Exchange.

ALLIED OIL COMPANY

The company is capitalized at $1,000,000, par value $1.00, and there are outstanding about 10,000,000 shares of stock. Stock is selling now at 20c. per share. The company owns 500 bbls. settled production in Texas, 600 bbls. settled production in Louisiana, about 22,000 acres of proven gas territory in Texas from which it is selling 30,000,000 cu. ft. of gas per month.

THE MAGAZINE OF WALL STREET WILL NOT ACCEPT MORE ADVERTISING FROM THE GUENTHER-LAW AGENCY

(*Continued from page 636*)

The next thing we knew, Russell Law and Rudolph Guenther had joined forces under the title of Rudolph Guenther-Russell Law Advertising Agency. Mr. Wyckoff wrote Russell Law a letter consisting of three words: "Well, Well, Well!" Law did not reply.

We are still trying to figure out whether the cat swallowed the canary or the canary swallowed the cat, or who had something on which.

But, in any event, THE MAGAZINE OF WALL STREET will accept no further business coming through the Rudolph Guenther-Russell Law Advertising Agency. We prefer to lose the business rather than pay commissions for "services" to a concern that so thoroughly ignores the interests of its clients, is so "negligent" in its business methods and which uses its power to further its own ends, ambitions, jealousies, and the ends and ambitions of the other members of the Guenther family.

In view of the overcharges to this advertiser, we believe it would be well for those houses whose business is placed through Guenther-Law, to have their past advertising bills carefully checked by another agency (familiar with the technique), in order to ascertain whether the charges made by Guenther-Law conform to those recorded on the books of the various publications.

Current Bond Offerings

Briefly Discussed and Analyzed

Issue	Maturity	Offering Price	Approx. Yield to Maturity	
Government and Municipal:				
*Prov. of Manitoba, Canada, 6s.....	Aug., 1925	92.86	7.75	
*City of Detroit, Mich., 5s and 6s...	1921-1943	To Yield:	6–5.25	(a)
*Jersey City, N. J., Water 6s........	1921-1925	100.14–101.72	5.85–5.60	(a, b)
*Jersey City, N. J., Water 5½s......	1926-1960	100.50–104.16	5.40–5.25	(a, b)
*Kalamazoo, Mich., School 5s......	1921-1930	99.04–95.46	6–5.60	(a, b)
Railroad, etc.:				
*N. Y. C. R. R. Co. 7s..............	Sept., 1930	100	7	
*Morris & Co. 7½% Notes.........	Sept., 1930	98¼	7¾	(c)

*Discount in text. (a) Exempt from all Federal Income Taxes. (b) Exempt from all State taxation. (c) Interest payable without deduction for normal Federal Income Tax not in excess of 2 per cent.

Province of Manitoba, Canada, 6% Gold Bonds, Denominations $500 and $1,000.—This issue of bonds is a direct and primary obligation of the Province of Manitoba, and is payable from its general revenues.

The assessed valuation of the Province is $680,000,000; the net debt, $18,947,000, or less than 3% of the assessed value. The Province holds investments, consisting of Victory bonds, farm loan bonds, etc., which are valued at approximately $4,214,000.

The Province has a population of 613,000. Winnipeg, the capital of the Province, has a population of 200,000.

Manitoba, which adjoins Ontario on the west, is the oldest of the Western Provinces, and is noted for producing the highest grade wheat in the world.

City of Detroit, Michigan, Direct Obligation 5% and 6% Coupon Bonds (Denominations $1,000).—These bonds constitute a direct obligation of the City of Detroit and are issued for water, sewer and general public improvement purposes. Offering consists of $3,900,000 6% bonds, dated August 1, 1920, and due serially August 1; $3,573,000 5% bonds, dated May 1, 1920, due serially May 1 and $1,000,000 5% bonds dated August 1, 1920 and due serially August 1. They are legal investment for savings banks and trustees in New York, Massachusetts, Connecticut and elsewhere.

The net debt of the city amounts to $30,027,464, or less than 2% of the assessed valuation, and is limited by charter to 4% of the assessed valuation. Population has risen from 465,776 in 1910 to 993,739 in 1920.

City of Jersey City, N. J., Coupon Gold 5½% and 6% Water Bonds (Denominations $1,000).—Jersey City, County seat of Hudson County, is the terminus of the Pennsylvania; Central Railroad of New Jersey; New York, Susquehanna and Western; Reading; Baltimore & Ohio; and Erie Railroads. It has become a large manufacturing and shipping center for New York interests, and may be considered commercially as a part of New York City. Banking facilities are furnished by 15 institutions with combined resources of over $130,000,000, and the railroad and manufacturing institutions give employment to over 100,000 people.

Financial statement as officially reported shows assessed valuation $369,847,778; total bonded debt (including this issue) $37,442,425; less water debt and sinking fund of $14,394,674 and $6,048,466, respectively, leaving net debt of $16,999,285 or less than 4¾% of the assessed valuation.

Kalamazoo, Michigan, School District No. 1, 5% School Bonds (Denominations $1,000).—School District No. 1, City and Township of Kalamazoo, Michigan, includes the entire City of Kalamazoo and some adjacent territory. The industries of the City are many and varied and it is the center of the famous celery growing region of Michigan. Kalamazoo has excellent transportation facilities and has shown a remarkably consistent record of growth for many decades.

These bonds are a direct obligation of the District payable from taxes levied against all of the taxable property therein.

Financial statement of the City shows assessed valuation (equalized) of $57,328,240, against total bonded debt (including this issue) of $1,443,000. Population of the City of Kalamazoo by 1920 census is 48,864, and that of School District No. 1 estimated at 52,000.

New York Central R. R. Co. 10-Year Collateral Trust Gold Bonds (Coupon Bonds in Denominations of $1,000 and $500, Registerable as to Principal. Fully Registered Bonds in Denominations of $1,000, $5,000 and $10,000. Coupon and Registered Bonds and the Several Denominations Interchangeable).—During the last 4 years, gross revenue of the N. Y. Central R. R. Co. has risen from $223,261,590 to $311,032,821; income available for rental and interest charges has declined from $85,760,177 to $68,562,154; rental and interest charges increased from $40,100,960 to $45,448,534. Balance in each of the four years (1916-1919, inclusive) was $45,659,217, $25,599,220, $24,465,345 and $23,113,620.

During the years 1918 and 1919 the railroad was operated by the Federal Railroad Administration, and the above figures of income available for charges for those two years represent the compensation payable by the Government for the use of the property, together with the Company's outside income. Although the net revenue derived by the Government from the operation of the New York Central property is not of direct interest to its security holders, nevertheless it may be stated that such revenue, together with the Company's outside income, exceeded the Company's total rental and interest charges by $15,575,000 during the year 1919, at a

time when the general showing of railroad revenues due to the increases in wages and general costs not then compensated by increased rates, was considerably less favorable.

The Interstate Commerce Commission has just granted substantial increases in rates, the so-called Eastern Roads, of which the New York Central is one, being entitled to increases running as high as 40% on freight rates, and as high as 20% on passenger rates. The factors involved are subject to such variation that it is impossible to make an accurate estimate of the results of the increases of rates on the New York Central earnings; but it may be stated that, on the basis of the 1919 volume of traffic and after allowing for increases in wages and in the cost of materials and supplies, such rates are estimated to produce for the year 1921 not less than $80,000,000 net income (including the Company's other income) as contrasted with present fixed charges of less than $48,000,000, including interest charges on this issue of Bonds.

Morris & Company 7½% 10-Year Sinking Fund Gold Notes (Coupon Notes Registerable as to Principal Only in Denominations of $1,000, $500 and $100, Interchangeable Prior to August 1, 1920).—The proceeds of these Notes will be to reduce bank loans.

These Notes will be the direct obligation of Morris & Company. The enclosed balance sheet as of November 1, 1919, the close of the last fiscal year, discloses total assets in excess of $114,000,000, and net current assets (after application of the proceeds of the present financing) in excess of $42,000,000. There is no lien of any kind on the property of the company except the mortgage securing its 4½% bonds, dated July 1, 1909, of which $16,450,000 are outstanding and $6,250,000 still issuable under the terms of the mortgage for 75% of the actual cash expenditures made or to be made by the company for additional fixed assets. The investment of the company in packing house real estate, branch markets, car equipment, etc., is over $40,000,000 and in securities of subsidiary companies $8,679,953.

The Indenture will further provide that no new mortgage shall be placed on the properties and assets of the Company which does not equally secure these Notes by the lien of such mortgage and will further provide that current assets must be maintained at not less than 1½ times all current liabilities, including all Notes of this issue outstanding.

During the four fiscal years ended November 1, 1919, the average annual earnings of the Company available for interest charges after the payment of all taxes were $5,993,487.81. These figures include only a relatively small proportion of the earnings accruing to the Company from its South American properties. The Company's average annual interest charges were $2,454,791.52. During this period over $12,100,000 net earnings have been retained in the business after paying cash dividends aggregating $1,750,000.

A sinking fund is provided beginning September 1, 1922, which will retire in semi-annual installments an amount of these Notes aggregating $5,000,000 before maturity.

BOND BUYERS' GUIDE

THIS table includes many of the active **bonds listed on the New York Stock Exchange. They are classified but not** necessarily recommended. An endeavor has been made to arrange them in the order of desirability as investments, based upon security of principal and income return. The arrangement below attempts to balance these two factors. This table appears in every other issue of this Magazine.

Foreign Government Bonds

	Apx. Price.	Apx. Yld. %
Belgian, 7½s, 1945	97½	7.70
Jap. 4s, 1931 (par $974)	56	11.00
Jap. 1st 4½s, 1925 (par $974)	72	12.10
Jap. 2nd 4½s, 1925 (par $974)	70¼	12.80
U. K., Gt. B. & I. 5½s, Nov. 1922	91⅜	9.25
Paris 6s, Oct. 15, 1921	91	12.75
U. K., Gt. B. & I. 5½s, 1929	84⅝	7.85
French Cities 6s, 1934	83⅜	8.00
U. K., Gt. B. & I. 5½s, 1937	82	7.40
Dom. Canada 5s, April, 1921	98½	6.60
U. K., Gt. B. & I. 5½s, Nov., 1921	96¼	8.40
Dom. Canada 5s, April, 1926	88	7.50
Dom. Canada 5s, April, 1931	86¼	6.75
Dom. Canada 5½s, Aug., 1929	91¼	6.85
Dom. Canada 5½s, Aug., 1921	97⅜	7.75
Anglo-French 5s, Oct., 1920	99½	6.00

Industrial Bonds

	Apx. Price.	Apx. Yld. %
Midvale Steel 5s, 1936	77½	7.40
Va-Car. Chem. 1st 5s, 1923	91¼	8.30
Chile Copper 7s, 1923	93	9.75
Wilson & Co., conv. 6s, 1928	83⅞	8.90
Chile Copper 6s, 1932	71½	10.05
Western Elec. 1st 5s, 1922	94	8.30
Amer. Cotton Oil Det. 5s, 1931	79	7.90
Colorado Ind. 5s, 1934	70	8.75
Int. Mer. Marine 6s, 1941	81	7.85
Braden Copper 6s, 1931	87⅛	7.75
Central Leather 5s, 1925	90¼	7.40
Beth. Steel Ext. 5s, 1926	85¾	8.00
Wilson & Co., 6s, 1941	87	7.20
Beth. Steel Ref. 5s, 1942	78⅛	6.85
U. S. Rubber 5s, 1947	77½	6.90
Col. Fuel & I. 5s, 1943	78	6.95
Amer. Smelt & Ref. 5s, 1947	74¾	7.10
Armour R. E., 4½s, 1939	75	6.90
Rep. I. & Steel 5s, 1940	86	6.25
Lackawanna Steel 5s, 1950	80	6.50
U. S. Steel 5s, 1963	91	5.60
Gen. Elec. Deb. 5s, 1952	85½	6.10
Gen. Elec. Deb. 6s, 1940	98¼	6.15
Texas Co. 6s, 1931	105	5.40

Public Utility Bonds

	Apx. Price.	Apx. Yld. %
Amer. Tel & Tel 4s, 1929	75¼	7.85
Nor. States Power 5s, 1941	73⅜	7.50
Manhattan Consul 4s, 1990	49½	8.10
Amer. Tel. & Tel. 6, 1925	95¼	7.15
Consol. Gas, N. Y. 7s, 1925	98¼	7.40
Pac. Gas & Elec., g. & r. 5s, 1942	74½	7.40
N. Y. Telephone 6s, 1949	86½	7.10
Detroit Edison 1st coll. 5s, 1933	85⅛	6.75
Amer. Tel. & Tel. 5s, 1946	77¼	6.90
N. Y. Telephone 4½s, 1939	74¾	6.90
Detroit Edison 1st Ref. 5s, 1940	81	6.75
Southern Bell T. & T. 5s, 1941	80⅛	6.80
West. Union Tel. 4½s, 1950	72⅞	6.60
Hudson & M. rf. 5s, 1957 (Ser. A)	55	9.30
Columbia G. & E. 1st 5s, 1927	81	8.70
Pub. Ser. N. J. 5s, 1959	60½	8.50
Int. Rap. Transit 5s, 1966	44	11.40

Railroad Bonds Legal for N. Y. State Savings Banks

	Apx. Price.	Apx. Yld. %
First Grade.		
So. Pac. Ref. 4s, 1955	73¼	5.85
Lou. & Nash. Unified 4s, 1940	77⅜	5.95
Atl. Coast Line 4s, 1952	73⅛	5.90
C. Bur. & Quincy, Ill. 3½s, 1949	68½	5.75
Union Pacific 1st 4s, 1947	79⅛	5.50
Atch. T. & Santa Fe Gen. 4s, 1995	74⅜	5.40
*Chi. & N. W. Gen 5s, 1987	93	5.40
Union Pacific Ref. 4s, 2008	74½	5.40
Nor. & West. Cons. 4s, 1996	74¼	5.40
*N. Y. Cent. 1st 3½s, 1997	64½	5.50
Lake Shore 1st 3½s, 1997	65	5.45
Ill. Cent. Ref. 4s, 1955	70	6.05
M. St. P. & S. S. M. 4s, 1938	75½	6.30
C. B. & Quincy Gen. 4s, 1958	76	5.50
Del. & Hudson Ref. 4s, 1943	75¾	6.00
Second Grade.		
N. Y. Cent. Ref. 4½s, 2013	73⅛	6.15
Nor. Pac. P. L. 4s, 1997	74¾	5.40
Gr. Northern 4¼s, 1961	78	5.65
Pennsylvania Cons. 4½s, 1960	89⅞	5.10
Nor. Pac. 3s, 2047	52⅜	5.80

C. M. & St. Paul. Gen. 4s, 1989..	67	5.90
Pennsylvania Gen. 5s, 1968......	84	6.00
Nor. Pac. Ref. 4½s, 2047.......	74	6.15
C. M. & St. P. Conv. 5s, 2014....	69½	7.20
C. M. & St. P. Conv. 4½s, 1932.	69	8.70
Balt. & Ohio P. L. 3½s, 1925....	80	8.80
C. M. & St. P. Ref. 4½s, 2014..	60½	7.45
Balt. & Ohio 1st 4s, 1948.......	63⅛	7.00

Not Legal for N. Y. State Savings Banks

First Grade.	Apx. Price.	Apx. Yld. %
Union Pac. Conv. 4s, 1927.......	80½	7.75
Peoria & Eastern Cons. 4s, 1940.	57½	8.40
Colo. & South. 1st 4s, 1929......	75½	7.90
Atch., T. & Santa Fe, Adj. 4s, 1995	66⅜	6.00
South. Pac. Col. 4s, 1949.........	65⅛	6.75
Atl. Coast Line, L. & N., 4s, 1952	63¾	6.80
Ches. & Ohio Gen 4½s, 1992....	71	6.40
Cen. Pac. Ref. 4s, 1949...........	70¼	6.20
Ore. Short Line Ref. 4s, 1929....	77½	7.50
Lake Shore Deb. 4s, 1931........	78¾	6.75
Ore.-Wash. R. R. & N. 4s, 1961..	67⅜	6.10
Western Pac. 1st 5s, 1946........	78½	6.75
Ill. Cent. C., St.L. & N.O. 5s, 1963	74⅛	6.85
So. Pac. Conv. 4s, 1929...........	75	7.95
So. Pac. Conv. 5s, 1934...........	97¼	5.30
N. Y. Cent., L. S. 3½s, 1998....	59½	5.90
Kan. City Term. 4s, 1960.........	68¼	6.10
South Ry. Cons. 5s, 1995.........	82	6.00
New Orleans Term. 4s, 1953....	61½	7.10
Ill. Central 5½s, 1934............	85¾	7.10
St. Louis-S. W. 1st 4s, 1989......	64	6.25
Reading Gen. 4s, 1997............	79¾	5.05
San. Ant. Ar. Pass 1st 4s, 1943..	58½	7.90
Second Grade.		
St. Louis, S. W. cons. 4s, 1932..	58	10.10
Wabash 1st 5s, 1939..............	85	6.40
Kan. City South. 3s, 1950.........	53	6.60
St. Louis-S. F., P. L. 4s, 1950....	56⅞	7.70
Rio Grande West. 1st 4s, 1939..	64½	7.60
Den. & Rio Gr. Cons. 4½s, 1936.	65½	8.50
C. C. C. & St. L. Deb. 4½s, 1931.	74	8.10
N. Y. C. & St. L 1st 4s, 1937....	71	6.90
C. R. I. & Pac. Gen. 4s, 1988....	69⅞	5.80
Virginian 1st 5s, 1962............	77	6.60
Pere Marquette 5s, 1956..........	77½	6.70
Ches. & Ohio Conv. 4½s, 1930...	73	8.60
Colo. & South Ref. 4½s, 1935...	68	8.25
Rio Grande West. Coll. 4s, 1949.	49¼	8.90
Ches. & Ohio Conv. 5s, 1946.....	78	6.80
N. Y. Cent. Conv. 6s, 1935.......	89	7.20
C. R. I. & Pac. Ref. 4s, 1934....	67	7.90
Cent. of Ga. 6s, 1929.............	85	8.45
Kan. City South Ref. 5s, 1950...	66¼	7.90
South Ry. Gen. 4s, 1956.........	58¾	7.40
Balt. & Ohio 6s, 1929............	87½	8.00
St. Louis-S. F. Adj. 6s, 1955.....	63½	9.80

THE BRITISH PARTNER OF ROYAL DUTCH

(*Continued from page* 633)

the associated companies amounted to £24,000,000, and an estimate made officially in July of this year put liquid assets at £35,000,000. In 1918, high-grade investments, such as British War Loans, Anglo-French loans, and the like, amounted to £2,764,900. The company has been increasing its production, raising it from a total of 4,000,000 tons, exclusive of Russian production, in 1918 to 4,223,500 tons in 1919, on the same basis. Earnings for the year showed an increase of over 70% above the 1918 figures.

Preceding the ordinary shares there are outstanding £2,000,000 of 5% cumulative preference shares of £10 par value. Their dividend requirements amount to only £100,000 annually, or about 2% of last year's earnings. Of the common stock there will be outstanding after present financing £19,286,462. As this is written, subscriptions to new stock are being offered to stockholders at the rate of one share of new stock for every two shares of old, at par £1. The same ratio applies to the American shares, which will therefore be increased shortly to 562,500, but American shareholders must pay $10 for each new share, equivalent to two British £1 par shares, the price covering the British price at current rates of exchange, fees and expenses. As the American shares are now about 65, it will be seen that the rights are valuable. Present financing makes the future uncertain and intending purchasers should wait for a lower call.

AMERICA SUPPLANTING JAPAN IN EXPORTS TO AUSTRALIA

(Continued from page 599)

because he preferred them. He bought them because no other sort were obtainable.

The girl whose Japanese silk stockings "laddered" the first time on, or whose silk gloves split, the housewife whose crockery fell in pieces as she placed it on the table, the bartender in whose hands the glass broke as he was drying it, all had their own special reason for wanting the war to end. It was that then they would no longer be compelled to buy Japanese articles. In Australia it will be a long time before the words, "Made in Japan" do not excite derision.

Some Causes of Complaint

Nor was the Australian merchant any more partial to Japanese goods. He was continually receiving complaints from his customers and suffering losses over them. Moreover, to get his orders fulfilled by the Japanese manufacturers he had to submit to many annoyances and delays.

For instance, there is the case of the Australian merchant who ordered 50,000 of men's drawers. As a sample of the quality desired he sent one leg of a pair of drawers, keeping the other leg for comparison, on the completion of the order. The consignment arrived and the boxes were opened. One after another he went through them. They all contained one-legged drawers.

Other Australian merchants have had the whole of their Japanese imports condemned by the Customs Officials. Only last year a druggist had to have a whole consignment of medicine measure glasses from Japan destroyed because the markings on them were all out of place.

With American goods, the Australian user believes it will be different. He feels that he will receive the quality he pays for. The Australian merchant also is readier to deal with the American exporter. The business methods of the two are not so different and he knows that he can depend on the American's sense.

It only wants the exchange to revert to normal and more American ships in the Pacific, it seems, for American trade to catch up to Great Britain's with the Commonwealth of Australia. As it was in 1919, there was not so much difference between the two. As against America's $136,498,000 Australia was a customer of Great Britain's for but $155,056,000.

BUSINESS THREATENED BY PERSONAL EXTRAVAGANCE

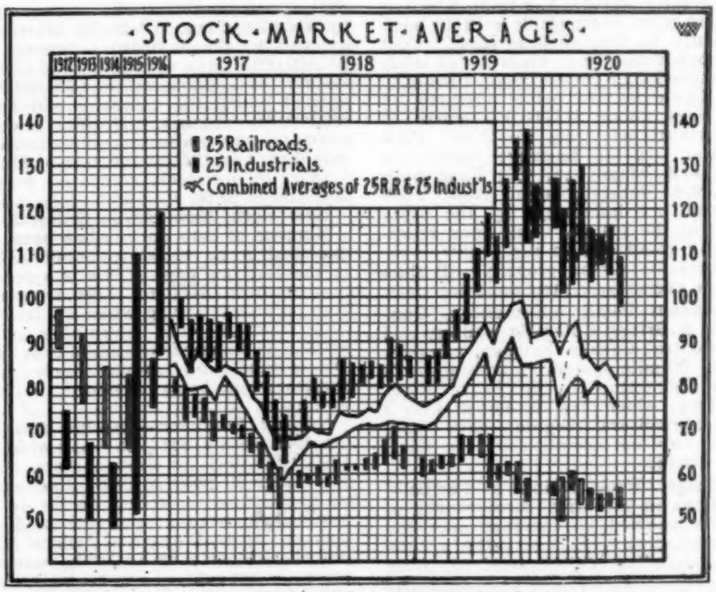
Frank A. Vanderlip Warns of Possible Difficulties

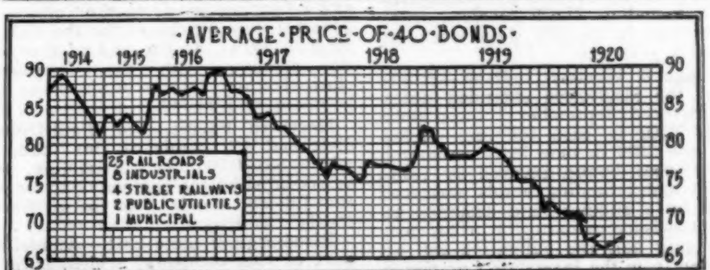
"Inherently, the American business outlook is sound, but the next six years cannot be so bounteously prosperous as the past six—which were inflated owing to unusual war conditions—and unless the American people curtail luxurious extravagance, there will be difficulties ahead.

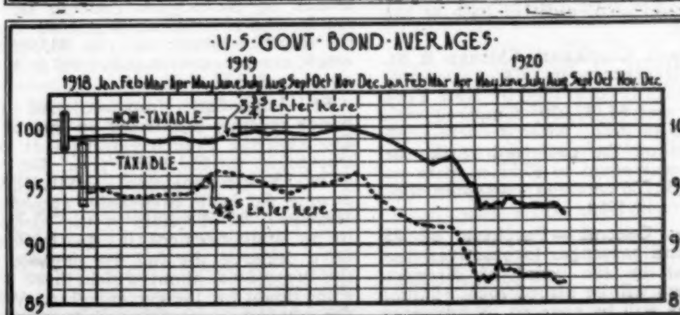
"The sooner this nation realizes that and gets back to the hard facts of economic life and to a sounder business morality, the better it will be."

MARKET STATISTICS

	N. Y. Times. 40 Bonds.	Dow, Jones Avgs. 20 Indus.	Dow, Jones Avgs. 20 Rails.	N. Y. Times 50 Stocks High.	N. Y. Times 50 Stocks Low.	Sales.
Monday, Aug. 16......	67.02	85.07	73.88	78.57	77.54	280,100
Tuesday, Aug. 17......	67.00	83.90	73.55	78.28	76.86	434,800
Wednesday, Aug. 18..	66.89	84.01	73.53	77.21	76.38	300,700
Thursday, Aug. 19....	66.94	85.31	73.90.	77.99	77.09	300,700
Friday, Aug. 20......	66.91	86.22	74.66	79.23	78.16	533,300
Saturday, Aug. 21.....	66.97	86.86	74.94	79.36	78.80	217,300
Monday, Aug. 23......	67.06	85.78	75.63	79.33	78.18	396,312
Tuesday, Aug. 24......	67.19	87.29	75.81	80.45	78.59	618,600
Wednesday, Aug. 25..	67.40	86.93	75.66	80.79	79.54	607,400
Thursday, Aug. 26....	67.69	87.22	76.55	80.43	79.35	431,100
Friday, Aug. 27......	67.92	86.81	76.45	80.94	79.87	529,500
Saturday, Aug. 28....	68.05	86.60	76.59	79.63	79.65	161,000







To Aug. 26.

Financial News and Comment

NOTE.—The Railroad and Industrial Digest, Notes on Public Utilities, Oil Notes and Mining Digest, contain condensations of the latest news regarding the companies mentioned. The items are not to be considered official unless so stated. Neither THE MAGAZINE OF WALL STREET nor the authorities for the various items guarantee them, but they are selected with the utmost care, and only from sources which we have every reason to believe are accurate and trustworthy. Investment commitments should not be made without further corroboration.—Editor.

RAILROADS

Boston & Albany.—Valuation of this property, under lease to New York Central, which guarantees 8% on the stock shows $58,530,382 on the basis of reproduction cost new as of June 30, 1915, but exclusive of lands not yet valued, compared with the company's book value as of that date amounting to $55,460,633 and capital liabilities of $50,000,000, or about $134 a share on the 8% stock. Inclusion of land values will greatly increase the total, which at present is not comparable with the book accounts, as they include lands. Cost of reproduction new, exclusive of lands but inclusive of leased lines, is $61,411,-233. There is also being operated on the lines about $15,000,000 worth of equipment belonging to New York Central. If the tentative figures on Boston & Albany and Big Four, both important subsidiaries of New York Central, are borne out by the other parts of the system, these lines, representing about 10% of the country's investment in railroad property will show a large excess over their book accounts.

Canadian Pacific.—Edmonton, Dunvegan & British Columbia Railway and the Central Canada Railway, comprising a 400-mile system extending north from Edmonton to the Peace River territory, which has developed into a rich agricultural region, have been taken over for operation by the Canadian Pacific.

Chicago, Rock Island & Pacific.—Loadings in the first three weeks of August showed an increase over the corresponding period of 1919. Total cars, including 29,947 received from connections, were 79,702, compared with 78,159, including 27,639 received from connections, in the first three weeks of August a year ago.

Chicago & Western Indiana.—Holders of the $15,000,000 extended notes that matured September 1 have been offered $500 in cash for each $1,000 bond and $500 in new 7½% collateral trust 15-year bonds, secured by 140% of first and refunding bonds and protected by a sinking fund designed to retire the issue at maturity. The cash for paying half the obligation can be obtained from the Interstate Commerce Commission on deposit of 86% of the old notes.

Cleveland, Cincinnati, Chicago & St. Louis.—Net income in 1919 of this company, which is controlled by New York Central, was $4,157,970, compared with $4,736,706 in 1918. After deducting 5% dividends on the preferred stock, the balance was equal to $7.77 a share on the $47,736,706 common, compared with $9 a share in 1918.

Illinois Central.—Purchase of 75 freight and passenger locomotives was authorized by the board of directors, and orders will be placed soon. Initial payments will be covered by advances from the Government, so that it will not be necessary to float any equipment trusts in the immediate future.

Michigan Central.—Net income in 1919 of this company, which is controlled by New York Central, was $2,-495,433, equal to $13.32 a share on the $18,736,400 stock, compared with $2,-569,563, equal to $13.71 a share. Had the property been operated for company account it would have earned $57.45 a share in 1919, compared with $42.75 in 1918.

New York Central.—Net income for 1921, based on 1919 traffic, is estimated by Vice-President Albert H. Harris in a letter to the company's bankers at $32,000,000. Net operating and other income are estimated at $80,000,000, against which the company will have $48,000,000 charges. If Mr. Harris' estimates are borne out, the company would earn in 1921 at the rate of $12.80 a share on its stock, compared with a dividend of $5.00.

New York, New Haven & Hartford.—Number of cars on line has been diminished from 44,800 to about 43,000 in the last few days. This is a reduction of from 10,000 to 12,000 from the high point last Spring when the freight congestion on New Haven was at its worst. The number of cars is now near the normal and comparatively free movement is being obtained at the terminals.

Norfolk Southern.—Income account for 1919 shows $312,986 applicable to $16,000,000 stock, or $1.95 a share, compared with 30 cents in 1918. Excluding lap-over items, the return on the stock would have been at the rate of $2.73 a share. In both years of Federal control the property earned only nominal sums on account of its rental. First and refunding bonds to the amount of $435,000 were purchased for the sinking fund in 1919. At the end of the year the accounts with the Government showed a net balance in favor of the company of $755,743.

Northern Pacific.—St. Paul-Duluth divisional 4% bonds of this road, of which $8,080,000 are outstanding, will be accepted by the company par for par for Liberty bonds held in Northern Pacific's treasury.

Pittsburgh & Lake Erie.—Annual report of this company, which is controlled by New York Central, shows net income for 1919 of $5,872,648, equal to $16.32 a share on the $35,985,600 stock, compared with $6,825,489 in 1918, equal to $18.97 a share.

St. Louis-San Francisco.—All the bonds recently purchased by Speyer & Co. from the French Government and amounting to $5,159,250 prior lien 4s, $5,846,750 adjustment 6s and $10,318,500 income 6s, have been sold, according Meantime, the directors of the company to an announcement of the bankers. have declared the full 6% payable on the income 6s, about which there was some doubt for the current year. With the company operating for its own account under the new rates, this charge should be covered by an ample margin in future years.

Union Pacific System.—Earnings for the first seven months of 1920 have run very high, in view of the extraordinary charges set up in the accounts. The $20,165,182 net operating income for the period to July 31 includes, besides a credit of $2,249,000 back mail pay in January, a debit of $4,465,784 to cover the higher wages retroactive in May, June and July. The result shows the system earning nearly the equivalent of its rental under the old tariffs and the new wages, and gives some indication of what may be expected under the higher rates.

INDUSTRIALS

American Bank Note.—Net Income of $8.97 a share, or $852,582 after charges and taxes, was reported by the company for the 6 mos. ended June 30 last on the $4,496,000 common stock, (par $50).

American Hide & Leather.—Participation in profits by the president and vice-presidents is the feature of a scheme stockholders will be asked to ratify at the annual meeting in September. There has been considerable criticism of the plan, as it apparently puts common stockholders further from dividends, not to mention the 114% back dividends due on the preferred.

American Ship.—A 20-yr. agreement with Hamburg-American Line has been made by the company for the operation of transatlantic passenger and freight services between American ports and Germany. Services to other parts of the world will also be established. The agreement is approved by the U. S. Shipping Board. The two companies will act as agents for one another and will operate on a 50-50 basis. It is expected several new ships will be added to the services in the next few months.

By the agreement, American Ship contracts within one year to supply passenger ships not exceeding 40,000 gross register. If the business warrants Hamburg-American may add ships until they have 50%, after which each party is limited to 50%.

Atlantic Gulf.—The building of a pipe line in France, 132 miles long and 10 in. in diameter, between Havre and Paris has been arranged by this company and French banking interests. The capacity will be about 35,000 bbls. petroleum a day, and construction, to cost $10,000,000, will be carried on under a concession from the French Government.

In addition to the pipe line a refinery, with an initial capacity of 25,000 bbls. daily, will be erected at Paris, and there will be a big tank farm at Havre, each tank having a storage for 200,000 bbls. of oil. At Paris the storage capacity will be 500,000 bbls.

The company is planning to expend about $55,000,000 in all for the development of its oil properties; $35,000,000 will be used to purchase tankers for the transportation of its Mexican oil.

No new financing is needed, as the company has amassed a large surplus.

It is planned to expend $10,000,000 in Mexico, $2,000,000 on properties recently acquired in England, and $9,000,000 in the construction of pipe lines.

Barrett Co.—Details of the merger are agreed on and its consummation awaits the return of the principal interests. Plans call for the formation of a new company with an issued capital of $213000,000. Common stockholders of General Chemical will get 3.1 shares of new common for each share of present holdings. Semet-Solvay will get 3.4 shares for 1 share of common and Barrett 2.29 new shares for 1 of old common. The basis for National Aniline may be 1 3/7 shares of new common for 1 of old.

Bethlehem Motors.—C. E. Woods was appointed receiver for the company on Aug. 25. He has been general manager since last May. The difficulties of company are due to insufficient working capital and lack of cash to meet maturing obligations. It is admitted by both creditors and the corporation, that it is solvent, having assets of $4,900,000 and liabilities of $3,000,000.

Bethlehem Steel.—Incoming steel business exceeds output by the company, and has been consistently heavy. The company is doing a large business in ordnance, in contrast with the drop in business of this character after the armistice. Business is as large as in normal periods before the war. The attitude of Russia and threatened revolts in other countries has stimulated the demand for ordnance.

The corporation's shipbuilding plants are booked to capacity well into 1921; incoming ship business, however, is nil. The company is now building 2 ore steamers to bring ore from Chile. Earnings of $13 to $14 per share on the common are expected for the 6 mos. to June 30, last.

LABOR'S SHARE IN BUILDING COSTS

(*Continued from page* 597)

was at its worst, it was a common occurrence for an able mechanic to accept far less than the union rate if he could only be assured of steady employment).

Today, with the reins in their own hands, so to speak, laborers are not anxious to restore the conditions of another day. Any great increase in their efficiency or, more frankly expressed, their willingness to work, will have to depend for its inspiration upon the treatment accorded them.

Due to the fairer wage scale now in effect, it is my impression that harmony is slowly returning. Furthermore, oppressive tactics toward labor were never pursued by the larger and more representative builders who, therefore, have no heritage of hatred to overcome. As for the attitude of the labor unions, I am rather of the opinion that the time is not far off when they will be recognized for what, in a great many cases, they really are—a collection of individuals humanely determined to get for themselves the most out of their work that they can and not dissociated groups inspired with a "hatred" for all classes and willing to kill their own game for the sake of some bolshevistic theories.

Even assuming, however, the best that could be hoped for in regard to increased labor efficiency, I still find it difficult to see any important replenishment of the shortage in the labor market. In other words, the shortage that exists can only be made up by men, more men, and still more men.

And, with man-power at a premium almost over the entire world and the building trade becomes so distasteful as compared with other lines, it is difficult to see how these men can be obtained.

(*The writer's second article dealing with the situation in building materials, will appear in our next issue.*)

On Aug. 16, 8 new sheet mills of the corporation at Sparrows Point, part of the $85,000,000 improvement planned by the corporation in the Baltimore district, were opened.

Chandler Motors.—A $2.50 quarterly dividend on the new shares, payable Oct. 1 to holders of record Sept. 10. President Chandler said this rate can undoubtedly be maintained indefinitely, and added:

"Our July earnings were $1,193,000 and our 7 months earnings (both before taxes) were $6,414,000, which compares with $5,621,000 for the entire year 1919.

"We have on hand cash and government securities of $4,500,000 and have no banking or other indebtedness except current bills rendered since Aug. 1. We should earn this year over $10,000,000, which is $36 a share on our stock. The automobile business generally is in a very healthy condition."

He further stated:

"Chandler will complete its shipping schedule as planned Jan. 1 last, and ship around 29,000 cars, as against 18,476 in 1919."

Coca-Cola.—A $1,000,000 building at Baltimore will be erected by the company, to have 50,000 gallons daily capacity. This will replace the present structure, which has a 200,000-gallon capacity.

Corn Products.—75 acres have been purchased by the company in north Kansas City, where construction will at once begin on a $7,500,000 plant for manufacturing syrup and other corn products.

Cuba-Cane Sugar.—1921 crop sales total $10,000,000 for the company, already reaching several hundred thousand bags. The price has ranged from 12 to 12½ cents per pound.

Cuban-Amer. Sugar. — Earnings of $27,000,000 for the year ended Sept. 30, 1920, before depreciation, interest and taxes, are estimated for the company. A balance of $16,000,000 is expected after these charges.

The company disposed of most of its remaining sugar on hand previous to the recent decline in the raw market. The average selling price for its crop up to a recent date was over 12 cents.

Davison Chemical.—83,519 shares of common stock, voting trust certificates of the company were listed by the N. Y. Stock Exchange. The company's income account for the 3 months ended Mar. 31, 1920, shows net profits after interest, depreciation and taxes of $438,746.

Electric Storage Battery.—The income account for 5 mos. to May 31, 1920, of the company, compares:

	5 Mos. to May 31, '20	Year to Dec. 31, '19
Gross sales	$2,918,495	$6,000,853
Net earns.	2,094,081	4,239,792
Other income	205,151	561,021
Net inc.	$2,299,232	$4,800,813
Dividends	416,230	1,074,198
Surplus	$1,883,002	$3,726,615

Freeport Texas.—Net income of $1.48 a share for 3 mos. to June 30 last, or $738,493 on 500,000 shares were reported by the company, against $881,227 or $1.76 a share in the same 1919 period.

General Motors.—Net earnings of $1.66 a share for 6 mos. to June 30, last after charges, Federal taxes and all pref. dividends, or $32,504,664 on the 19,518,895 no par common shares, compared with $29,125,942, or $19.72, on $147,647,700 common stock in 1919.

Goodyear.—July gross sales of $17,185,113 increased 7½% over July, 1919, when sales were $15,989,349. Sales for 9 mos. to July 31, 1920, were $162,202,467, against $168,915,000 in whole previous year. Total 1920 sales of $216,000,000 are expected. Notwithstanding the general reaction in the tire industry and the short-time operations prevailing in Akron, Goodyear is running its big plants at 70% capacity and is more than holding its own.

Guantanamo Sugar.—Listed on N. Y. Exchange.—Earnings.—300,000 no par shares of the company were listed on the N. Y. Stock Exchange, in exchange for present outstanding certificates of $50 par, 5 no par shares being given for each $50 share. Net income of the company for 8 mos. to May 31, 1920, was $3,407,689.

Hupp Motors. — Outlook Good.—V. Pres. Von Schlegell states business of the company has kept up with practically no cancellations and the volume of new orders is as large as during the past 6 months. It looks as if shipments would continue at 2,000 per month, the schedules so far this year.

Earnings for 6 mos. to June 30 compare:

	1920.	1919.
Gross	$14,332,760	$8,584,809
Net	1,499,000	758,000

Manhattan Electrical Supply.—A recapitalization plan was ratified by stockholders of the company, providing for an authorized issue of 250,000 no par shares, 70,000 shares to be immediately issued as follows: 30,000 shares in exchange for 30,000 shares of the present $100 par common stock; 3,000 shares to be issued as a 10% stock dividend to the present common stockholders; 24,100 shares in exchange for the present 12,050 shares of first pref. stock; 12,900 shares to be sold to provide additional working capital.

By the recapitalization all the present first and second pref. stocks will be retired and the company's only capitalization will be stock of no par value.

Mullins Body.—Net earnings of $3.94 per share for 6 mos. to June 30, 1920, or $462,490 after all charges and taxes, are reported for the company. June net profits were $102,372 or 90 cents a share, and July earnings are just reported at $134,158.

These figures would seem to show that the company's earnings are holding up well, and that the $4 annual dividend rate was reasonably safe for the present at least.

Pacific Mail.—6 mos. earnings of $3.99 a share to June 30, 1920, is the company report or total net revenue before Federal taxes of $1,198,815, on the 300,000 shares outstanding compared with $1,240,760, or $4.13 a share in 1919.

THE FACTS BEHIND THE BOOM IN CANADA'S PULP AND PAPER INDUSTRY

(*Continued from page* 602)

the listed paper companies are shown in Table II.

The position of the Canadian paper companies may, therefore, be described as a strong one, without subscribing to the excessive enthusiasm of stock traders during the past few months. The companies have abundant raw materials for years to come, water-powers are plentiful and adjacent, and there seems no reason to doubt a continuance of the demand for their product. There is a possibility that the field may be overdeveloped through the organization of new companies now under way, but fundamentally the industry stands at or near the top of Canadian industrial effort.

"Since Jan. 1 material changes have occurred in shipping conditions. Considerable new tonnage has been placed in all trades, with consequent reductions in freight rates. Labor difficulties and port congestion have made operation more difficult and costly.

"Results in the West Indies have been satisfactory. Business has been good in our Panama Line service. Although depressed conditions in the Far East have begun to affect our earnings, our trans-Pacific and Manila-East Indian services have been taxed to capacity the past 6 months."

Punta Alegre Sugar.—1920 Production 623,620 Bags.—Pres. Atkins states: "The past crop shows an output of 623,620 bags, 11% under the original estimate last Nov. These sugars were sold at an average of 11.2 per lb., including 50,000 bags not yet sold and carried at 10 cents.

"Our net profit after depreciation and Federal taxes will show about $6,400,000, or over $25 a share.

"The company is in excellent financial position, having $7,500,000 in cash and unliquidated sugars, and being free from debt except current accounts. This sum will amply provide for plant betterments and dividends, and cover current expenses up to the receipt of sugars from the next crop."

Savage Arms.—The resignation of Chairman Borie of the Board of Directors was announced on Aug. 16.

South Porto Rico Sugar.—Over 12c. a lb. was the average selling price for the company's production last season in Santo Domingo, equal to more than 13¼ cents in New York, including duty. Figures on the Porto Rican output are not available, but the average for the whole crop was better than 13 cents a lb.

Underwood Typewriter. — Purchase of the Bridgeport plant of the Bullard Machine Co. in Conn. is reported by the company, which expects within a few months to be making twice as many portable machines as Corona is turning out at present. Before 60 days the Bridgeport factory will be turning out the small machines.

Union Bag & Paper.—Experiencing the best year in its history, company earnings are running at $20 a share annually on the 150,000 shares outstanding. This compares with $16.91 a share on the 100,000 shares last year.

Gross sales this year, it is estimated, will exceed $16,000,000, against $12,000,000 in 1919. Sales in July established a new high record. Orders for wrapping paper and paper bags continue in large volume, with no indication of a let-up. The usual slump in the Summer months was not noticeable this year.

U. S. Food Products.—3 mos. net income of $1,053,931 to June 30 last, is reported for the company and all subsidiaries after Federal taxes, charges and depreciation, against $1,202,657 in the first quarter of 1920.

White Motors.—Net earnings of 37c a share for 3 Mos. to **June 30** last, or $330,152, were reported by the company on the $4,349,900 stock, par $50. This compares with $809,727, or 93c a share in the preceding quarter.

Willys-Overland. — Operations reduced. Vice-president Earl announced that the company's plant will be operated for 5 days a week as long as present handicaps in the auto industry continue. The company has laid off 2,000 operatives at its Toledo plants, and has reduced production to 450 cars a day, compared with 600 cars a day about 6 weeks ago. The principal factor re-

(Continued on page 660)

A MOST INTERESTING HOUR

We have been personally interviewing a few associate members of the Richard D. Wyckoff Analytical Staff who have expressed a desire to meet us, and others whose complicated affairs suggested its advisability. We have not been strong for personal interviews in the past because our family is somewhat large for personal discussion, and we have found letters and telegrams to suffice for all ordinary purposes.

Those who have called on us have been much interested in our work. We come in contact with all classes, and find that professional men take exceptional interest in our methods, because (they tell us) we are endeavoring to reduce investment and speculation to a fine art, and that our machinery is not unlike their own. Architects, engineers and physicians tell us particularly that the similarity is most marked.

An automotive engineer, one of the foremost experts in his own line, spent an hour with us on a particularly busy day—after regular office hours. The writer noted his appreciative interest and understanding, and cheerfully submitted to his third degree on the subject of "the technical position." He visited the bridge-deck of the ship, which, as every traveler knows, is not usually open to visitors.

"This is one of the most interesting hours I have ever spent. I never knew it was possible to thus weigh and measure the forces behind the market so accurately, and anything you say in future will 'go' with me, because I know what is behind your say-so."

A physician called on us today. Leaving on a vacation he was anxious to have his holdings placed in a position to enable him to get the best out of his membership of the Analytical Staff. By mere chance, he was invited up on deck. The doctor and the engineer will recognize the analogy.

The doctor—a man well up in his profession—after having the mechanism explained in some detail said:

"I am surprised at the similarity between this and my own profession. You are able, minute by minute, hour by hour, and month by month, to make a diagnosis of the vital factors; you treat the stock market like I would handle a patient, not allowing a high fever to be called tonsilitis, nor a broken leg tuberculosis. I am convinced that you have an eye to temperature, pulse, blood pressure, nervous and physical symptoms no different than my own daily routine, and besides you watch every angle that could possibly affect so temperamental a 'patient' as the Stock Market.

"I am particularly pleased with what I have seen and heard, and assure you that I am not only deeply interested, but this visit has given me the absolute assurance that, although no one can be invariably correct, I will always be getting professional advice of the highest order, and that I can follow your advice to the letter in the future."

(signed) A MEMBER OF EXECUTIVE BOARD,
The Richard D. Wyckoff Analytical Staff.

FINANCIAL NEWS AND COMMENTS

(*Continued from page 659*)

sponsible is the chaotic condition of transportation facilities. No further curtailment is expected. The company is carrying a large inventory, but it is incomplete in some respects, and the difficulty in procuring certain parts hinders the shipment of cars otherwise completed.

PUBLIC UTILITIES

American Telephone & Telegraph.—Record growth in past year. President Thayer of the company states: "The Bell System has made greatest growth in its history in the past year, some 600,000 new telephones having been added.

"Wages have been heavily advanced, 30,000 employes have been added to the system and the payroll increased about $50,000,000.

"This consequent increase in operating expenses has been met by the revenue from new business, and from necessary rate revisions."

"The company, in order to better carry out the purposes of the new co-operative agreement with the General Electric Co., has purchased a minority interest in the Radio Corp. of America.

Brooklyn Rapid Transit.—The annual report shows that the rapid transit lines of the B. R. T. system in the year ended June 30, 1920, had gross earnings of $19,562,213, and deductions for operating expenses, taxes, rentals, interest on road and equipment maintenance and depreciation charges and the contract preferential of $3,500,000 were $22,386,406, leaving a deficit of $2,824,193, exclusive of interest charges on the city investment in city-owned rapid transit lines operated by the B. R. T. system.

Passenger revenue was $18,842,994, against $15,255,720 the previous year. Total revenues of the company since the contract between the B. R. T. and the city was signed on Aug. 3, 1913, were $85,996,085, and total operating expenses totalled $89,855,240.

Standard Gas & Electric.—Earnings for June and 12 mos. of the company and subsidiaries, compare:

	1920	1919
June, gross	$2,395,536	$1,961,564
Net, aft. taxes	828,992	728,492
12 mos. gross	29,478,902	25,630,028
Net, aft. taxes	10,858,479	9,480,961

MINING NOTES

Anaconda. — A compromise agreement with the W. A. Clark interests, whereby Anaconda gives a portion of the Emily vein under the surface of the Pilot-Butte claim, is known to be a victory for the Clark interests.

Butte & Superior.—A deficit of $147,002 before taxes for the quarter ended June 30, 1920, is reported by the company, compared with profit of $627,256, or $2.16 a share, on the $2,901,845 ($10 par) stock in the preceding quarter. Net profits for the 6 months of 1920 total $480,254, equal to $1.65 a share, against $93,847, or $0.32 a share in the same period of 1919.

Chino Copper.—Net income of 37c a share for the quarter to June 30 last, or $330,152, was reported by the company on the $4,349,900 (par $5), compared to $809,727, or $0.93 a share in the preceding quarter.

For the six months ended June 30, 1920, total profit was $1,139,879, equal to $1.31 a share, compared with $196,974, or $0.22 a share for the same 1919 period.

Cost per pound of net copper produced, including all charges except Federal taxes, was 15.9, against 14.62 for the first quarter. The increased cost for the 2nd quarter was due to the lower grade of ore and to an increase in wages. Earnings are based on a price of 18.175 per lb., compared with 21.88 for the first quarter.

Nevada Copper.—Earnings of 19c a share in the 3 mos. ended June 30 last, or $384,000, were reported by the company on the $9,997,285 stock, (par $5), compared with $215,583, or 11c a share in the preceding quarter.

For the 6 months ended June 30, total income was $599,583, equal to 30c a share on the stock, compared with $73,619, or 3c a share in the same 1919 period.

Rand Mines.—To seek new fields. The company states that in view of increasing difficulties in gold operations, it has been considered desirable to secure holdings in other ventures. Negotiations are under way for the acquisition of coal properties. Also the company has acquired a substantial interest in the Rhodesia Broken Hill Development Co., a lead and zinc property.

Ray Copper.—Earnings of 24c a share in the 3 mos. to June 30 last, or $387,255, were reported by the company on the $15,771,790 stock (par $10), compared to net profit of $637,300, or 40c a share in the preceding quarter.

Total income after charges for the 6 months ended June 30, 1920, totalled $1,024,555, equal to 65c a share on the stock, compared with $164,067, or 10c a share for the same period in 1919.

Utah Copper.—Earnings of $1.38 a share in the 3 mos. ended June 30 last, or $2,240,470, were reported by the company on $16,224,900 stock ($10 par), against $2,870,590, or $1.76 a share in the previous quarter. For the 6 mos. to June 30, earnings totalled $3.15 a share, compared with $1.93 a share in 1919.

OIL NOTES

Associated Oil.—Net profits of $9.14 a share for 6 mos. to June 30, 1920, or $3,635,442 after all charges, depreciation and Federal taxes, are reported by the company on the 397,561 shares outstanding.

Caddo Oil.—Net income of $138,000 for July after taxes, was reported by the company, which is at the annual rate of over $11 a share on the outstanding stock.

California Petroleum.—Daily Production of 10,200 bbls. for the company is reported, also a substantial improvement in its affairs in the past year.

The corporation for the 6 months ended June 30, reports surplus after charges and Federal taxes, of $1,128,157, equal after pref. dividends to $4.94 a share on the $14,877,055 common stock, compared with $1,007,406, or $4.20 a share in the same 1919 period.

Elk Basin Petroleum.—55% of Franz

Petroleum stock, a producing company organized in 1919 with capital of $3,000,000, of which $2,500,000 is in the hands of the public, has been acquired by Elk Basin, which obtains the entire treasury stock and a portion of the pooled stock held by directors of the Franz corporation, on the basis of one share of Elk Basin stock for each 4 shares of Franz.

Imperial Oil.—Oil within the Arctic Circle has been struck by the company at a point north of Great Slave Lake, close to the Mackenzie River. The flow is only 10 bbls. a day, but it is regarded as significant that oil has been found so far north.

Indian Refining.—Net income of $993,092 for 5 mos. to May 31, 1920, is reported by the company before Federal taxes, which, after pref. dividends, is equal to $30.18 a share on $3,000,000 common stock, par $100.

International Petroleum.—A merger of Tropical Oil and this company has been completed. It is planned to organize a new International Petroleum Co. under the laws of Canada, authorized to issue 100,000 preference shares, par $5, and 7,118,138 no par common shares. The Tropical Co. has outstanding 1,575,000 shares and the International 2,606,802 shares of common and 100,000 shares of preferred.

For the outstanding stock of both companies the new International Petroleum Co., will exchange its shares on the following basis:

To the Tropical Oil Co. 1,804,534 common shares upon receipt of 1,575,000 shares of Tropical. After meeting obligations Tropical will have 1,732,500 common shares of new International, exchanged in the proportion of 1.1 shares for each share of Tropical.

To the old International Petroleum Co., 5,313,804 common shares and 100,000 preference shares, exchanged on the basis of one share common and one preference share for each preference share, and 2 shares of the new common for each share of old common stock.

The plan is of advantage to both companies, the one being a producing, refining and marketing organization, and the other a producing company without sufficient facilities for distribution. The new company will be one of the most powerful and largest doing business in the Latin Americas.

Producers & Refiners.—An interest in Templeman Oil Corp. is reported acquired by the company through reorganization of the former. Holdings of Templeman consist of 987 acres of proven territory and 50,000 acres of undeveloped lands, in the Rocky Mountain and Mid-continent fields. Pres. Kistler, of Producers & Refiners, is a director of the company, and is manager of a pool in which the stock issued in reorganization has been placed for a maximum of 12 months.

May net profits of $390,702 were reported by the company, against $37,664 in 1919. Net earnings for the rest of 1920 should show an increase over the first part of the year, due to an increased output of crude oil, additional recovery of gasoline from natural gas, and sales of lubricating oils from the new addition to the Tulsa, Okla., refinery.

Royal Dutch Shell.—Earnings of this group are running much in excess of a year ago. There is a big development of the combine's Mexican properties under way, and increased production is being obtained.

Sinclair.—Stockholders are increasing and now number nearly 20,000. **The company has just sold 11,000,000 gals.** of gasoline to France at around 28c a gal., N. Y. export basis. The company now supplies ⅓ of the light oils sent to France. The corporation manufactured during July 1,264,133 gals. of casinghead gasoline, against 834,287 gals. in July, 1919.

It is stated that about $9,000,000 of the $50,000,000 10-year 7½% notes remained unsold at expiration of the underwriting agreement on Aug. 14.

Texas Co.—The new Abrams well of the company in the West Columbia field, which came in on July 21 at 20,000 bbls., later increased to 28,500 bbls. daily. In the past month the company has sold $3,000,000 of oil from this well alone.

According to Director Mitchell, the company may make regular distributions of stock as dividends, instead of an annual increase of 20% in stock at par. He continued:

"Production has increased fully 2½ times in the last year. In addition to the Abrams well, we have brought in since Jan. 1st, 3 wells in Mexico of 100,000, 30,000 and 20,000 bbls. daily. We have spent large sums in the last year or so, extending our pipe line and tanker facilities, and this will be reflected in earnings."

Union of Del.—6 mos. net profits of 86c a share, to June 30, 1920, or $1,187,378, is reported by the company after charges and Federal taxes on the 1,366,794 no par shares outstanding. Pres. Schlacks stated that total oil production of the company's properties is over 10,000 bbls. daily, not including the 25% interest in Union Oil Co. of Cal. He added that the Central Petroleum Corp., which the corporation recently ac-

quired, is drilling 23 wells in the Hewitt field, Okla. Its net production in Oklahoma is estimated at 5,000 bbls.

Union Tank.—Listing of the stock on the N. Y. Exchange is proposed by the company, to give the shares a better market for trading. With the new purchase of 3,900 all-steel cars, in addition to the 5,500 already building for this year's business, the company will have 30,000 all-steel tank cars.

White Eagle.—Gross Sales of $4,-610,000, and net profits of $500,000 for the quarter ended July 31 last, or at the annual rate of $6 per share, were reported by the company. Although July business was the largest in its history, the outlook is exceptionally good, and August will show an increase over July.

White Oil.—Production is now 8,000 bbls. daily from 178 wells. The Homer field output of the company has enabled it to pay its expenses in connection with its development. Future net profits from this district should be large.

The company's refinery at Houston is in operation, 105,000 bbls. having been put through in July. Net earnings of the Clarendon refinery are estimated at $40,000 a month.

UNLISTED NOTES

Aetna Explosives.—Net profits of $2.77 a share for the year ended June 30, 1920, or $1,510,930 after charges are reported by the company.

The annual report stated that there had been a satisfactory settlement of the company's claims against the U. S. and French governments, and that the company desired to extend the scope and nature of the business with the funds that had thus come to hand when more settled conditions prevailed in the business world.

Directors have definitely decided on the plan for utilization of the excess working capital. Common stockholders will be offered the privilege of selling 25% of their holdings to the company at $12 a share.

American Cyanamid.—An injunction to restrain the company from buying in 30% of outstanding pref. stock at $60 a share was secured by C. H. Baker, a stockholder, and former vice-president. He contends that retirement of the preferred would eliminate liquid assets and prevent payment of dividends on the common, also that bonds held by the company would have to be sacrificed.

The company reports for the year ended June 30, 1920, net income after charges and taxes of $1,525,877, against $1,048,751 in the previous year.

Connor (John T.) Co.—Sales of $3,-532,000 for the second quarter, against $2,967,396 for the first 3 mos. of 1920 are reported by the company. This is at a $13,000,000 annual rate compared with $8,500,000 for all of 1919. The company now has 275 stores and plans to expand ultimately to 1,000 in Boston alone. Net earnings of $142,852 after taxes for the first half of 1920 were at the annual rate of $3.18 a share on the 90,000 shares of common stock after pref. dividends, against $95,758 in the same 1919 period.

International Cement.—Earnings of $2.09 a share in the 3 mos. to June 30 last, or $547,591, after charges and taxes were reported by the company on the 262,014 shares outstanding. This compares with $225,346 net or 86c a share in the preceding quarter. Earnings have shown monthly expansion, increas-

ing from a net in January of $29,299 to $256,162 in June.

The second half of 1920 is expected to witness a net for the stock after all deductions of at least $1,000,000, or about $7 a share, against $1.33 a share in 1919.

Steel & Tube.—Net profits of $6,292,542 for 7 mos. to July 31, 1920, after Federal taxes and charges, but before depreciation of $6,292,542 is reported by the company, equal after pref. dividends to $5.74 a share ($2 par), on the $1,941,884 common stock. The income account shows:

Earnings after Fed. taxes	$7,272,755
Interest	980,213
Net earnings	$6,292,542
Pref. dividends	714,584
Surplus	$5,577,958

Submarine Boat.—$15 a share net quick assets, or $11,600,000 on 765,810 shares outstanding, is reported for the company, and is composed of treasury certificates, Liberty bonds, War Finance notes, and municipal bonds.

Warren Bros.—Business has increased substantially, contracts on hand being 16,700,000 sq. yds. on June 30 last, against 9,200,000 sq. yds. a year previous. The company laid 3,000,000 sq. yds. in the year to June 30, against 1,300,000 sq. yds. in the previous year.

THE HISTORY OF CUBA. Five vols., 6¼ x 9¼, 150 illustrations; by Willis Fletcher Johnson; buckram, $45.00 net; three-quarters leather, $58.00 net; for sale by The Magazine of Wall Street Book Department.

An authentic, complete and up-to-date history of Cuba has long been lacking, and in these five substantial volumes Mr. Johnson has supplied the need. Beginning with the landing of Columbus, the story follows Cuba through the colonial period, the war for independence, its establishment as a free nation, and its rapid development since then. Many of the facts presented have been drawn direct from original sources and all are told in an interesting and entertaining way.

Vol. IV includes a review of Cuba's industrial, educational, commercial and social progress, and Cuban literature and statesmanship. Vol. V covers the natural history of the island, its geology, meteorology, flora and fauna; its ethnology and topography; its mineral, oil, forest, and agricultural resources; manufactures, trade and transportation, and in fact every phase of Cuba's resources and activities.

Dr. Johnson is Professor of the History of Foreign Relations at New York University and is well known by his previous authoritative and interesting historical works. He is peculiarly fitted to write

the story of Cuba and has been assisted by an able corps of investigators. His present work is a notable achievement and ought to be in the library of the well informed man of affairs.

The New-Book Letter

OUR ECONOMIC AND OTHER PROBLEMS—by Otto H. Kahn.

Mr. Kahn makes a brilliant contribution to the problem of what must be done to set the world again on its feet financially, discussing the railroads, he exposes the fallacies of an ill-designed taxation. His book is one that everybody interested in the working out of our great national problems should read.

Price, $4.15 postpaid.

HISTORY OF THE THRIFT MOVEMENT IN AMERICA—by S. W. Straus, President, American Society for Thrift.

An inspirational volume on thrift and the many ways in which it can be applied in its broadest senses to the use of money, health, living, time and energy; thrift in the home, in business and society, and in national and individual development.

Price $1.60 postpaid.

SPANISH AND ENGLISH COMMERCIAL VOCABULARY — by Carlos F. McHale.

A complete dictionary of the words and phrases used in business in Spanish and English-Speaking countries. It will prove a real help to exporters, importers, bankers, correspondents, shippers, travelers, translators and others.

Price $2.60.

WHAT HAPPENED TO EUROPE—by Frank A. Vanderlip.

A new edition, containing a lengthy revised foreword by the author.

Under such chapters as Paralyzed Industry, Transportation, Chaos of Currencies, England, France, Italy, Spain, Belgium, Credit, Comfort and Liberty, An Employer's Vision, The World's Financial Center, America's Opportunity, and An International Loan to Europe, this book will prove of great value to those interested in the subject.

Price $1.60 postpaid.

AMERICAN BUSINESS LAW—by Hon. A. B. Frey, A. B., LL. B., one time judge of the Circuit Court of the City of St. Louis.

Judge Frey has undertaken to write a book for which there is a large demand not hitherto supplied—a complete treatment, clearly and concisely stated, of the entire field of business law, which is arranged so that it will be not only a useful guide to the practical business man, who is wholly unfamiliar with legal terms, but also a carefully prepared and systematically outlined and indexed book for students in commerce colleges throughout the United States.

Price $4.60 postpaid.

EVOLUTION OF THE BUDGET IN MASSACHUSETTS—by Luther H. Gulick.

One of a series of special studies in administration made by the Bureau of Municipal Research of New York, records the series of events leading up to the present budget system of Masachusetts and presents an account of actual appropriation methods and the practice prevailing under an important piece of budget legislation.

Price $2.60 postpaid.

APPLIED BUSINESS LAW. By Coleman Hall Bush, LL.M., of the California Bar.

The purpose of this book is to eliminate the long term of apprenticeship, to give a wide range of experience to all who seek it, by presenting material, both law and facts, for application in constructive work. If the guidance given is faithfully followed, progress is bound to result. Price $1.38 postpaid.

EXPORTER'S GAZETTEER OF FOREIGN MARKETS. Compiled and edited by Lloyd R. Morris, Research Editor, The American Exporter.

A ready reference guide to the imports and exports industries, shipping, banking, products, climatic and other local conditions of every foreign market. A unique feature of the arrangement of the work is that all the commercial and industrial statistics and weights and measures have been converted into dollars and into American measurements, so that the business executive can get his facts immediately without going through the process of converting from foreign currencies or measures. Price, $10.25.

MATHEMATICS FOR THE ACCOUNTANT—By Eugene R. Vinal, A. M., Professor of Actuarial Mathematics and Accounting of Northeastern College, Boston.

This book is the outgrowth of a course which has been given for several years in the School of Commerce and Finance of Northeastern College, and also treats of some elementary subjects which frequently appear in C. P. A. examination. Price, $2.65 postpaid.

MODERN PROGRESS—By Willis Mason West, Professor of History in the University of Minnesota.

Throughout, an unusual amount of space is given to English history which is particularly essential for American students. The recent advance of America into world politics is presented as part of the new international relations that followed the opening of the Orient in the closing decades of the 19th century. Price, $2.10 postpaid.

THE NEW BUSINESS LETTER WRITER—Compiled by A. B. Johnston, editor of The Publishers' Publicity Bulletin.

This book contains valuable information pertaining to modern business efficiency, writing for publication, magazine articles and journalism, also rules governing good letter writing. Price, $1.60 postpaid.

OIL AND GAS INDUSTRY—By Ralph Arnold, J. L. Darnell and others.

This manual is issued to assist the taxpayer of the oil and gas industry in correctly and expeditiously preparing his Federal tax returns. Price, $2.65 postpaid.

CORPORATION MANUAL (The).

The only book which gives a complete compilation of the business corporation statutes of all the States and Territories, District of Columbia, Philippine Islands and Porto Rico. A handy reference book of 2,421 pages, systematically arranged, of the statutes affecting both foreign and domestic business corporations, the uniform stock transfer act, the blue sky laws, the anti-trust laws. Price, $20.00.

HOW WE ADVERTISED AMERICA—by George Creel.

The first telling of the amazing story of the Committee on Public Information that carried the gospel of Americanism to every corner of the globe. The whole business of mobilizing the mind of the world so far as American participation in the war was concerned was in a sense the work of the Committee on Public Information. Price $5.10 postpaid.

COAL, IRON AND WAR—By Edwin C. Eckel, Assoc. Amer. Soc. C. E., late Major, Engrs., U. S. A.

This is an important and timely study of the industrial development of the leading nations, from the beginning of modern industrialism until the close of the World War, and an examination into the effects of the system of industrialism upon the community. Among the subjects discussed in this enlightening volume are: The Development of America, The Rise and Fall of Prices, The Factors of World Competiition and The Forms and Future of Progress.

Price $3.10 postpaid.

PROBLEMS OF POWER—by W. Morton Fullerton.

Mr. Fullerton knows international politics, and especially the international politics of Europe, as few other Americans. This is a new edition representing the author's vision of the state of Europe and the World on the eve of the Great War of 1914.

Price $5.10 postpaid.

PROBLEMS IN BUSINESS LAW—By Justin H. Moore and Chas. A. Houston.

This book has been written solely for the purpose of training business men in the subject of business law. It omits all theories and presents cases which illustrate actual business conditions of the present day. The authors are well known business lawyers of New York as well as professors in the School of Business and Civic Administration in the College of the City of New York.

Price $2.60 postpaid.

EFFECTIVE BUSINESS LETTERS—By Edward Hall Gardner, Associate Professor of English, School of Commerce, Univ. of Wisconsin.

Covers the complete range of business correspondence, orders, acknowledgments, sales, credits and collections. tions. It presents the principles which concerns who have spent thousands of dollars to find the best way of handling correspondence, have found wise to follow in their own work.

Price $3.10 postpaid.

NEW COLLECTION METHODS—By E. H. Gardner, Associate Professor of Business Administration Course in Commerce, Univ. of Wisconsin.

While dealing primarily with methods, this book is yet dedicated to the idea that the credit and collection function is a sales factor of fast growing importance. It contains definite methods of procedure for the manufacturer, jobber, retailer and mail order and installment houses; also presents various series of successful letters now in actual use. Among the important chapters is one dealing at length with the trade acceptance, and another showing how to organize and manage a credit and collection department, giving a very practical and business-like summary of its essential equipment, features, and operations.

Price $5.20.

HANDBOOK OF AMERICAN GOVERNMENT—By Wm. H. Bartlett, Revised, enlarged and brought to date by Henry Campbell Black, Editor of "The Constitutional Review."

A standard work which has been in steady demand by legislators, educators, and general readers who are careful to know how our government is run. The text comprises a review of the nature and origin of our government, and an explanation of the most important portions of the Constitution, etc. Price $1.35.

Important Dividend Announcements

To obtain a dividend directly from a company, the stock must be transferred into the owner's name before the date of the closing of the company's books.

Ann. Rate	Name	Amt. Declared	Paid to Stock of Record	Div. Payable
6%	Advance Rumely, p	1½%Q	9-15	10- 1
$6	Ajax Rubber ($50)	.$1.50 Q	8-31	9-15
$3	Am Bk No, p ($50)	.75c Q	9-15	10- 1
$10	Am B'ch M (no p)	.$2.50 Q	9-15	10- 1
6%	Amer Chicle, p....	1½%Q	9-18	10- 1
6%	Amer Express	1½%Q	8-31	10- 1
7%	Amer Locomotive, p	1¾%Q	9-13	9-30
6%	Amer Locomotive, c	1½%Q	9-13	9-30
7%	Am. Smelt & Ref, p	1¾%Q	8-13	9- 1
4%	Am. Smelt & Ref, c	1 %Q	8-20	9-15
7%	Am Sugar Refin, p	1¾%Q	9- 1	10- 2
7%	Am Sugar Refin, c	1¾%Q	9- 1	10- 2
....	Am Sug Ref, c ext	¾%	9- 1	10- 2
8%	Amer Tel & Tel...	2 %Q	9-20	10-15
6%	Amer Tobacco, p...	1½%Q	8-14	10- 1
20%	Atlantic Refining, c	5 %Q	8-21	9-15
....	Brit-A Tob, c (£1)	4 %	9-14	9-30
$8	Buckeye P L ($50)	.$2 Q	8-23	9-15
7%	Buf & Susq R R, c	1¾%Q	9-15	9-30
$6	California Pack, c	.$1.50 Q	8-31	9-15
$4	Calumet & Arizona	.$1 Q	9- 3	9-20
$3	Cambria Stl ($50)	.75c Q	8-31	9-15
....	Cambria Steel, ext.	.25c	8-31	9-15
7%	Canada S S Lines, p	1¾%Q	9-15	10- 1
7%	Canada S S Lines, c	1¾%Q	9- 1	9-15
7%	Canad Car & Fdy, p	1¾%Q	9-25	10- 9
4%	Canadian Pacific, p.	2 %S	8-21	10- 1
10%	Canadian Pacific, c.	2½%Q	8-31	10- 1
7%	Case Thresh Mach, p	1¾%Q	9-31	10- 1
$10	Chandler Mo (no p)	.$2.50 Q	9-10	10- 1
7%	Chesebrough Mfg, p	1¾%Q	9-14	9-30
14%	Chesebrough Mfg, c	3½%Q	9-14	9-30
6%	Cities Service, p...	½%M	9-15	10- 1
6%	Cities Serv, p "B"	½%M	9-15	10- 1
6%	Cities Service, c...	½%M	9-15	10- 1
....	Cities Serv, c ext.e	1¼%	9-15	10- 1
7%	Consolidated Gas ..	1¾%Q	8-11	9-15
....	Cramp (W) & S's, ex.	x150%	8-10	9-10
$3	Crescent P L ($50)	.75c Q	8-24	9-15
7%	Crucible Steel, p...	1¾%Q	9-15	9-30
9%	Del & Hudson.....	2¼%Q	8-28	9-20
6%	Dominion Steel, c..	1½%Q	9- 4	10- 1
$3	Elk H'n C'l, p ($50)	.75c Q	9- 2	9-10
$8	Famous Pl-Lasky, c.	$2 Q	9-15	10- 1
7%	Fed Min & Smelt, p.	1¾%Q	8-26	9-15
8%	Galena Sig O, orig p	2 %Q	8-31	9-30
8%	Galena Sig O, new p	2 %Q	8-31	9-30
8%	General Electric ..	2 %Q	9- 9	9-15
7%	Goodrich (B F), p..	1¾%Q	9-21	10- 1
7%	Hupp Motor Car, p	1¾%Q	9-20	10- 1
7%	Manhat El S, 1st p	1¾%Q	9-20	10- 1
7%	Manhat El S, 2nd p	1¾%Q	9-20	10- 1
6%	Manhat Elec Sup, c	1½%Q	9-20	10- 1
12c	McKinley-Dar-S ($1)	3c Q	9- 4	10- 1
10%	Mergenthaler Lino.	2½%Q	9- 7	9-30
7%	Nat'l Anil & Chem, p	1¾%Q	9-13	10- 1
7%	National Lead, p...	1¾%Q	8-20	9-15
6%	National Lead, c...	1½%Q	9-10	9-30
....	Nat'l Sugar Refin, c	3¼%	9-13	10- 2
10%	N Y Air Brake...	2½%Q	9- 2	9-24
8%	Niles-Bement-Pond,c	2 %Q	9- 1	9-20
5%	North Amer Co....	1¼%Q	9-15	10- 1
$5	Ohio Oil	$1.25 Q	8-28	9-30
....	Ohio Oil, ext......	$4.75	8-28	9-30
7%	Packard Mot Car, p	1¾%Q	9- 1	9-15
10%	Peerl's Tr & M ($50)	2½%Q	9- 1	10- 1
$1.75	Phila Elec ($25)...	43¾c Q	8-12	9-15
8%	Pressed Steel Car, c	2 %Q	8-18	9- 8
7%	Republic Ir & Stl, p	1¾%Q	9-15	10- 1
$1	St Jos Lead ($10)	.25c Q	9- 9	9-20
....	St Joseph Lead, ext.	25c	9- 9	9-20
....	St. Jos L'd, stk div.	x10 %	9-20**	....
6%	Savage Arms, 2nd p	1½%Q	9- 1	9-15
6%	Savage Arms, c....	1½%Q	9- 1	9-15
7%	Sloss-Sheff-S & I, p	1¾%Q	9-18	10- 1
$20	South Penn Oil....	$5 Q	9-13	9-30
6%	Southern Pacific ...	1½%Q	8-31	10- 1
8%	Stand G & E, p ($50)	2 %Q	8-31	9-15
10%	Standard Oil of Cal	2½%Q	8-14	9-15
....	St Oil of Kans, ext	3 %	8-31	9-15
12%	Stand Oil of Ind...	3 %Q	8-16	9-15
....	St Oil of Ind, ext.	5 %	8-16	9-15
12%	Stand Oil of Kans.	3 %Q	8-31	9-15
....	St Oil of Kans, ext	3 %	8-31	91-5
7%	Stand Oil of N J, p	1¾%Q	8-26	9-15
20%	Stand Oil of N J, c.	5 %Q	8-26	9-15
16%	Stand Oil of N Y.	4 %Q	8-25	9-15
$3	Texas Co ($25)...	75c Q	9-17	9-30
8%	Union Bag & Pap.	2 %Q	9- 3	9-13
4%	Union Pacific, p...	2 %S	9- 1	10- 1
10%	Union Pacific, c..	2½%Q	9- 1	10- 1
7%	U Cig St of Am, p	1¾%Q	8-31	9-15
8%	U S Indust Alch, c	2 %Q	8-31	9-15
7%	Woolw'th (F W), p	1¾%Q	9-10	10- 1

**Ex-div. date as ruled by N. Y. Stock Exchange.

aInitial dividend.

ePayable in common stock.

xPayable in stock.